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Inflation Control and Treasury's Borrowing Policy

By BENJAMIN M. ANDERSON, Ph.D.
Professor of Economics, University of California

Dr. Anderson Warns That the Treasury's Low Interest Rate and Borrowing Policy Is Leading to Unavoidable and Ruinous Inflation. Likens the Present U. S. Policy to That of France in First World War, Which Led to Drastic Inflation and Depreciation of Franc. Says That Because the National Debt Is Largely Unfunded and Held Excessively by Banks, and Because Interest Rates Are Artificially Kept Low, a "Pathological" Credit Condition Is Fostered. Recommends That Government Bonds Be Refunded at Higher Interest Rates, That Drastic Federal Economies Be Adopted, That Price Controls Be Removed, and That All Inflationary Money and Credit Policies Cease.

(The paper given below was prepared by Dr. B. M. Anderson as of May 10, 1945, but he thought it unwise to release it to the press before this. Dr. Anderson believes the figures today would be even more unfavorable than those used on May 10. He also states that the close of the war invalidates none of his recommendations. On the contrary, he thinks that with the drop in war expenditures the Federal Government may embark upon a spending spree of another variety and that, consequently, we may now have "our last real chance to fund the debt at reasonable rates of interest, and to get control of the inflationary flood of money and currency without the use of pretty violent measures."—Editor.)

Benj. Anderson

The situation with respect to our public debt, our banking system and our currency has grown extremely dangerous as a result of the unsound policy which the Treasury has [redacted]ing. It is essential that there be the frankest [redacted] discussion regarding the matter while there is still time to reverse the policy and to avoid a ruinous inflation.

We can avoid a ruinous inflation if we act promptly, but not, I believe, unless we do act promptly.

The public debt has already grown to a gigantic figure and promises to be much bigger before the war is over.

The ease with which the Treasury has been borrowing money at fantastically low rates of interest from the banks and the Federal Reserve banks has generated a false sense of financial omnipotence which is encouraging the demand for great postwar extravagances, both for governmental financing of exports to foreign countries and for unbearable governmental expenditures at home.

France in World War I and the United States in World War II

How dangerous our position is may best be revealed by a comparison of our war financing in World War II with that of France in World War I. It will be re-

(Continued on page 1837)

Federal Tax Revision— Its Scope and Pattern

By Dr. JOSEPH J. KLEIN*

Authority Analyzes Recent, Pending, and Prospective Tax Law Changes. Considers Them Mere "Bites" and "Tinkering" With the Existing Statute Which Is Termed Inadequate, Infinitely Complicated, Arbitrary, and Inconsistent. Advocates Expert Commission to Draft Overall Long-Term Reform. Sound Budget and Debt Management Regarded Indispensable.

Very naturally there is no end to discussions of World War II's legacy to civilization. This brief summary is restricted to a discussion of some of the domestic budgetary and tax phases of the economic and fiscal aspects of that legacy. It is necessary to consider the budgetary phase because Federal expenditures must determine the measure of the peacetime tax burden which we shall have to bear. And in considering the budget, one of the most significant items is the national debt, both the interest thereon (estimated at $4.5 billion for the current fiscal year) and policy with respect to management of the debt (officially estimated to reach $273 billion next June 30, 1946, although it was

Dr. Joseph J. Klein

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*Dr. Klein is a member of the New York Bar; senior partner, Klein, Hinds & Finke, Certified Public Accountants; past President, New York State Society of Certified Public Accountants; member of Council, American Institute of Accountants; former tax editor, New York Globe & Associated Newspapers, Inc.; author of "Federal Income Taxation" and books on accounting; Associated Professor of Taxation, City College.

(Continued on page 1830)

The Sterling Problem

By IVAN WRIGHT
Professor of Economics, Brooklyn College

Contending That the Sterling Area Has Acquired a Statutory Definition and Now Is a Tradition in International Trade, Dr. Wright Maintains That It Has a Flexibility Which Gold Reserves Do Not Have, and That It Provided the Mechanism for Sterling Exchange Control. Says That a War Between the Dollar and the Sterling Area Would Lead to Depression and Monetary Depreciation and Holds Solution of the Sterling Problem Is as Serious to the U. S. as to Britain.

It is not easy to state the sterling problem in simple terms. In brief, England owes the rest of the commercial world some 14 to 20 billon dollars' worth of sterling for goods and services purchased during the war. In addition, England has sacrificed most of her foreign investments as a result of war purchases. Her exports have declined sharply as a result of the war, and at present, it will take a long time to regain even the prewar level of exports. It is claimed in England that she must gain not only her prewar level of exports, but increase these at least 50% if she is to survive. The reason for the need of increase in exports is, of course, the loss of her foreign buying power through the sacrifice of her investments and the problem of paying sterling debts already due.

Dr. Ivan Wright

(Continued on page 1844)

Index of Regular Features on page 1864.

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The Threat of Inflation

By J. H. RIDDLE

Vice-President, Bankers Trust Company, New York

Mr. Riddle Lists as the Potent Inflationary Forces (1) the Large Money Supply; (2) Heavy Deferred and Potential Demands for Goods; (3) High Labor Costs; and (4) Government Inflation. Holds That When the Accumulated Liquid Assets Are Added to Expanded Money Volume, Expenditures Will Outrun the Current Production and There'll Be a Goods Shortage. Says Wages Have Run Ahead of Price Increases and This Discourages New Enterprise and Additional Production, While the Administration's Spending Policy Is Similar to That in Europe After World War I, Which Led to Drastic Inflation. Concludes That Despite Restraining Influences of Price Controls and Increased Production, There'll Be No Return to Prewar Prices.

Commodity price changes may be small and spotty during the next few months while demobilization and reconversion are under way. It is generally assumed that the volume of business activity and the gross national product will continue to decline until toward the end of this year, and that after leveling off for a month or so they will turn upward again. During this period of rapid contraction in the total volume of business the prices of some surplus materials may decline a little; other products in short supply may rise, but for a few months the upward tendency may be restrained somewhat by price controls.

J. H. Riddle

It is doubtful, however, whether there will be any material decline in the general price index during this reconversion period in spite of the big decline in war production and pay rolls. Building materials and most durable goods will be in strong demand, and there will be no surpluses in clothing and textiles, rubber goods, paper products, and a host of other commodities. Foodstuffs may be more plentiful and some prices may sag a little, but foreign demands will continue heavy and domestic consumption high. Furthermore, Government support will be available for many agricultural prices at 90% of parity.

It seems likely that for the next two or three years the inflationary forces will be stronger than the deflationary forces and that there will be some rise in the general level of commodity prices. Some raw materials and basic products such as wheat, cotton, and wool, and perhaps a few metals, may be in sur-

(Continued on page 1846)

The Present Level of Stock Prices

By BENJAMIN GRAHAM

Chairman of Security Analysis Department of New York Institute of Finance; Co-author "Security Analysis," etc.

Authority Points Out Favorable and Unfavorable Factors Affecting the Stock Market. Analyzes Current Equity Prices From the Historical Approach, From the Appraisal Method, and From Prediction of Future Developments. Concludes That the Speculator May Well See Higher Prices, but the Long-Term Investor Should Significantly Lighten His Holdings.

If the stock market advances a short distance farther it will reach the highest levels in 15 years. This apparently imminent event makes it timely to examine the facts and prospects behind the market with a somewhat careful and critical eye. In this article we shall write not as a technical market analyst, but as a student of security values and also as a close observer of the behavior of the security markets for more than 30 years.

Benjamin Graham

This long experience crystallizes into an attitude or philosophy which can be expressed in two somewhat subtle rules, viz:

1. Be skeptical of the popular reasoning behind any spectacular move in the stock market—but don't be too sure this reasoning is wrong.

2. The broad pattern of market action in the past is the best guide to the future—but it is not an infallible guide.

A useful way to reach a conclusion—or an impasse—as to the soundness of the present market level would be to list and compare the more important factors that are favorable or unfavorable to a continued advance. The following suggest themselves:

Favorable

1. Inflationary factors, including the huge cash holdings of the public.
2. Low interest rates.
3. Improvement in corporate working capital.
4. Certainty of lower tax rates.
5. The prospective "restocking boom."
6. The prospective high level of business activity associated with the full-employment philosophy.

Unfavorable

1. The historically high market level.
2. The absence of a really substantial recession in stock prices since April, 1942.
3. The virtual disappearance of

(Continued on page 1856)

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Distribution Problems Of Reconversion

By JOHN W. SNYDER*

Director of War Mobilization and Reconversion

Reconversion Director Stresses the Peacetime Responsibility of Distrib[redacted]e Attainment of Full Production and Full Employment, and Sa[redacted]ef Problem Is to Curb Inflation by Preventing Runaway Prices Arising From Heavy Backlog of Consumer Demands. Points to Mistakes After Last War in Permitting Price Rises and in Over-Accumulation of Inventories and Approves the Absorption by Distributors of "Moderate" Price Increases Granted Manufacturers. Says Reconversion and Surplus Disposals Are Progressing Satisfactorily.

John W. Snyder

When I looked over your program for this seventeenth annual conference and saw the many distinguished gentlemen who would address you, I felt greatly complimented at your invitation. But when I saw the matters you were going to discuss—"Price Trends" and "Distributive Costs—Will They Rise?" I couldn't be sure whether you asked me up here to listen to me—or whether you wanted me to listen to you!

I understand you gentlemen have had a little difficulty with prices and costs.

Before proceeding to my subject "The Expanding Market," I would like to take this opportunity to express the appreciation of your Government for the magnificent job you men and women engaged in the distributive trades have performed during the war years.

No group on the home front has suffered with more business headaches over the necessary wartime controls than you have. In a large measure, the success of those controls in holding the line against inflation can be attributed to your cooperation. Without the support of the vast majority of wholesalers and retailers those controls would not have succeeded.

The importance of distribution has not been sufficiently emphasized when we talk of a peacetime prosperity founded upon full production and full employment. This objective cannot be attained without an adequate and efficient system of distribution to move the products of factory and farm, and place them in the hands of the ultimate consumer. The distributive trades have always been bulwarks of our system of independent and free enterprise.

During the war years the dramatic stories about the production miracles performed by manufacturers and farmers tended to obscure the equal miracle of distribution. Too often the distributor was the forgotten man on the sidelines while the bands played for the raising of "E" Pennants over factories and while certificates of merit were being handed out.

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But the record of distribution speaks for itself. In spite of wartime burdens and shortages of labor, wholesale trade increased its volume by 36% and retail trade by 19% during the 1939-44 period.

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(Continued on page 1858)

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*An address by Mr. Snyder before the Seventeenth Annual Conference on Distribution, Boston, Mass., Oct. 16, 1945.

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The Financial Outlook

By RAYMOND RODGERS*

**Professor of Banking, New York University
School of Commerce, Finance and Accounts**

Professor Rodgers Predicts That There Will Be an Increase in Bank Deposits During the Next Year Both for the Country as a Whole and for New England. Sees Increase in Bank Loans if Banks Liberalize Loan Policies and Enter the Consumer Credit Field and Says That Because Interest Rates Will Remain Low, There Will Be a Large Volume of New Financing and Banks Will Increase Their Bond Portfolios. Sees No Immediate Danger of Inflation or Deflation.

Raymond Rodgers

The shooting side of the war is ended. But the economic side of the war is far from ended. No man in this audience will live long enough to see the effects and influences of World War II completely disappear from the banking system. The end of the shooting war, nonetheless, means that the military will no longer dictate the economic policy of the country and will naturally have far-reaching influences on our financial institutions.

In the limited time we have today, I cannot cover all of the financial consequences of the termination of actual hostilities, so I shall concentrate on the effect of what is euphemistically termed "the end of the war" on deposits, on loans, and on investments.

Bank Deposits to Increase

Let us analyze first the movement of deposits. This is most important because both loan and investment policy should be based on the anticipated movement of deposits. The main thing to un-

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*An address by Dr. Rodgers before the Fifteenth New England Bank Management Conference, Boston, Oct. 11, 1945.

(Continued on page 1852)

A French Financial Expert Speaks

By HERBERT M. BRATTER

Special Correspondent of the Commercial and Financial Chronicle

The Franc to Go Lower. Position of Gold as Currency Changed. International Bank Expected to Help French Industry. Not Necessary to Nationalize Bank of France. Nationalization and Socialization of Industry Still in Doubt.

Herbert M. Bratter

PARIS, FRANCE.—Coming in contact with a French financial expert, who occupies an important position in shaping French financial policies, I learned from conversation with him what are France's hopes and policies. He spoke of the present and future position of the franc, the expectation of relief coming from the International Bank to be set up as a result of the Bretton Woods Conference, the probable future status of the Bank of France and the private banking institutions and the policy of socialization which may follow the reorganization of the French Government after the general election. Briefly, the ideas expressed by this French official, who desires that his identity not be disclosed, are roughly as follows:

A readjustment of the external value of the franc sooner or later is inevitable. The question is how to time it from the political standpoint. There is also the question of the proper timing from the economic standpoint. (The latter refers to the fact that France is now importing more

(Continued on page 1859)

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What About Foreign Loans?

By JOHN CLIFFORD FOLGER*

President, Investment Bankers Association of America

Maintaining That the Disagreements Over Bretton Woods Proposals Was Due Mainly to a Conflict Between the "Do Good" Spirit and Sound Banking Principles, Mr. Folger Points Out That as the Greatest Burden in Supply Capital for the International Banks Falls on U. S., "a World Hungry for Dollar Credits Will Beat a Path to Our Door." Asserting That Since Investment Bankers Will Have the Job of Selling Foreign Bonds Guaranteed by Bank, They Should Have a Part in the Plans and Councils of the Flotations. Sees Need of Exemption From SEC Regulations and Calls for Collaboration of Government, Bankers and Business in Floating Foreign Loans.

Except for brief and usually repented intervals, Uncle Sam has cast a jaundiced eye upon International Banking. He went on quite a foreign lending spree during and after the last war. The headache which followed was so terrific the Johnson Act was passed, which made it illegal to even think about taking a little nip from the International bottle. Bankers were put in the dog house and Uncle Sam said, "Never again."

John C. Folger

No one likes to recall the last spree, but it is interesting to note the eventual pay-off on foreign bond issues floated by bankers while not good, was better than most people realize. On the $9 billions of foreign bonds sold in this country in 1920-1935, the pay-off to date, plus market value of bonds outstanding, indicate we shall get back principal but not much return on our money. Of the $11 billions of foreign loans which the Government made between 1914-1920, less than 5% was collected. The latter loans, in reality, were part of the cost of World War I, just as lend-lease is part of the cost of World War II. The poor pay-off, however, gave foreign credits a black eye. People now ask: "Are things going to be different this time?" It is important to consider the factors which can make them different.

Americans may rule out foreign lending. They may try to rule out liquor. But one thing is deep-seated in the American breast and it is the desire to "do good." The "do gooders" always get a hearing. The vigorous debate over Bretton Woods was largely the result of a difference in point of view. Was it a banking problem or an opportunity to do good in the world? The answer is that the "do good" spirit and sound banking are both needed to get world trade moving.

Bretton Woods Bank

There was considerable disagreement over the Fund for Stabilizing Currencies, particularly the automatic lending provisions. As a result, many difficult points were ironed out in the enabling legislation. When it came to the Bank, however, most every-

(Continued on page 1860)

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*An address by Mr. Folger before the Mississippi Valley Group of the Investment Bankers Association, St. Louis, Mo., Oct. 12 1945. Mr. Folger is a partner in Folger, Nolan & Co., Washington D. C.

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"A Big Sales Job Ahead"

By JAMES J. NANCE*

Vice-President of Zenith Radio Corporation

Claiming That the Vulnerable Spot of Industry, Like Achilles' Heel, Will Be Inability to Keep Up Consumer Demand, Mr. Nance Calls Upon Management to Become Sales Minded. Points Out That in Post-War, Unlike the Pre-War and War Periods, There Is Not Likely to Be Heavy Government Deficit Spending to Create Consumer Demand, if Private Industry Is to Continue, and Urges Strenuous Sales Activity as Means of Creating Employment and Business Prosperity. Sees No Danger of Inflaton Because of Large Producing Capacity.

J. J. Nance

We are now actually in that post-war period for which we planned. Our plans have come home to roost, and are ready for the test. But, because of the unexpected and sudden termination of the Japanese war, we find ourselves in the midst of the most chaotic and crucial reconversion problem that ever confronted the people of this or any other nation. This problem, however, is only temporary, except for one thing: What we do today is going to determine the course of events in this country and throughout the world for many years to come.

American industry, this strong, lusty product of American determination and ingenuity that astounded the world with its ability to produce, reminds me today of the legendary Greek warrior, Achilles, who was the bravest, handsomest, and swiftest of the Army of Agamemnon. You will recall that as an infant, Achilles was bathed in the River Styx to make him invulnerable. Wherever the waters touched his skin, he was rendered immune to injury by any weapon. However, in bathing him, his mother held him by one heel and dunked him like a doughnut. Consequently, one tiny area of heel was left unbathed, and it remained as vulnerable as the skin of ordinary mortals.

Achilles grew to manhood to become a mighty warrior. But he was finally slain by Paris, whose arrow was guided by Apollo to the vulnerable heel.

Industry Has an Achilles Heel

Industry today is strong as was Achilles, and I believe that most of the problems which worry us today will be taken in stride. There is no question but what we are starting off on a sales honeymoon. It will be delightful. My concern is with what happens after the honeymoon is over. From a long range standpoint, we can

(Continued on page 1842)

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*An address by Mr. Nance before the Sales Executives Club of New York, New York City, Oct. 2, 1945.

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Long Term Forces Affecting Stocks

By NATHANIEL STONE CHADWICK

Vice-President, National Securities & Research Corporation

Writer Contends Large Money Supply, and the Consequent Fear of "Shrinkage in Purchasing Power of the Dollar," Together With the Short Supply of Stocks Arising From Unwillingness of Holders to Sell Because of the 25% Capital Gains Tax, Is Tending Toward High Price Level for Stocks.

N. S. Chadwick

During the last year several reasons have been advanced for the bull market, such as inflation, huge savings in the hands of the public, and the lower purchasing power of the dollar. Reasons for a bear market include the termination of the war, labor difficulties, reconversion delays largely resulting from OPA pricing policies, and the threat of a further increase in margins.

There are two outstanding fundamental forces affecting the stock market that far outweigh such subordinate uncertainties and lesser supplemental factors as are mentioned above, and to such a degree that they appear to indicate an upward trend in equity prices for several years to come, although intermediate reactions may be expected to occur from time to time. These forces are not abstract, hypothetical or conjectural, but are real and are active now, for they are the forces of great demand and limited supply.

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Experienced bankers know that the excessive credits they extended in 1928-1929 could not have occurred if the individual banks had loaned on their own resources and without the reservoir of funds and credit of the Federal Reserve System.

Before World War II, under the New Deal school of economics, our national debt expanded and credit likewise increased tremendously, with interest rates declining steadily. The advent of the war occasioned such an acceleration in the national debt and in credit expansion that at the end of 1945 it is estimated that the debt will be about $275 billions, or more than 15 times what it was

(Continued on page 1851)

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Banks Have a Selling Job

By FREDERICK S. BLACKALL, JR.*

President, New England Council

President, The Taft-Peirce Manufacturing Co.

New England Industrial Leader Urges Banks to Give More Publicity to Their Methods and Services and Engage in a "Selling Campaign." Says in the Highly Competitive World It Is Important to "Tune in With the Public Pulse" and That Banks "Must Be Alive to What the Public Wants and Try to Provide It." Says Banks Needs a Sales Department and Advocates That They Serve Fully Their Communities, Including Small Business, if They Desire to Keep Government Out of the Banking Business. Decries Banks Relying on Government Participation in Making Business Loans.

F. S. Blackall, Jr.

The New England Bank Management Conference is one of the most conspicuously successful examples of focusing the New England Town Meeting principle on business problems, and the New England Council is justly proud of its part in having sponsored the idea initially. We express our gratitude to your able Chairman, Bill Augustine, for his organizing ability and unflagging energy, which have been primary factors in establishing the high place which this conference holds among the business forums of New England.

It is especially pleasant for me, as a banker by avocation, to renew old friendships here and to establish new ones. The old chestnut about the banker whose glass eye could be identified because it had a little more warmth in it than his natural one, is something quite foreign to my experience. Serving, as I do, on the boards of three of our leading Rhode Island banks, I have found my associates in the banking fraternity full of the milk of human kindness, generous, sincerely concerned with the problems of their fellow men, and characterized by a desire to help them to the limit of their ability. I think you will agree, however, that the association of the icy stare and the heart of stone with bankers in general is part of the folklore of the land. Since the picture is an erroneous one, it is our problem as bankers to do everything within our power, consistent with sound banking, to erase the false impression.

By profession I am an engineer, but I suspect that at heart I am a salesman, and in the long run I believe that businesses wax and

(Continued on page 1860)

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*An address by Mr. Blackall before the New England Bank Management Conference, Hotel Statler, Boston, Oct. 11, 1945.

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The utility companies have borne an abnormally heavy share of the wartime tax burden. Total taxes last year for Class A and B electric utilities were $678,818,000 as compared with $516,759,000 paid to employees (electric operations) and $273,326,000 disbursed in dividends to common stockholders. Total Federal taxes amounted to $443,600,000 or nearly twice the amount of state and local imposts In the prewar period Federal taxes totaled only about $100-150 million.

Utility earnings in 1943 averaged only about 5½% on net plant investment plus working capital, and a great deal of "water" had been squeezed out of plant account in the preceding decade. Obviously the utility companies have not been profiteering during the war—net earnings during 1942-4 averaged well below those of 1939-41. But unfortunately utilities in prewar years wrote down their properties as fast as the Treasury Department would permit (in their tax returns) so as to reduce taxable income. This has resulted in abnormally high taxes during the war, since the amount of earnings and capital exempt from excess profits taxes is now considerably lower on the Treasury books than in the accounts as reported to stockholders. Companies with low rates and conservative capital structures have been especially hard hit in some cases.

After paying out $210,000,000 in excess profits taxes last year, the utilities earned only as much as in 1937, and only slightly more than in the depression year 1932, despite the fact that gross revenues had increased 74% compared with the latter year.

It had been confidently expected that Congress would do away with excess profits taxes in the pending tax bill to become effective Jan. 1. Instead, the House Ways and Means Committee has proposed to reduce the EPT rate from 95 (or 85½% net after deducting the 10% post-war credit) to 60%, while the regular tax rate would be reduced from 40 to 36% (by reduction in the surtax rate).

The new bill, the first tax-cutting measure in 16 years, was passed by the House Oct. 11th and sent to the Senate. However, Senator George, Chairman of the Senate Finance Committee, favors complete repeal of EPT, and since his opinion carries great weight it is quite possible that the Senate version may win out in eventual action by a conference committee of the two Houses.

With complete exemption of excess profits taxes, and application of the 40% rate to all taxable income, utility taxes would be reduced by over 53%, or $112,000,000 based on 1944 figures. However, if the House bill should prevail the saving in excess profits taxes (30%) would amount to only about $63,000,000. It is difficult to estimate the exact saving in income taxes resulting from the proposed cut in the surtax, due to the present exemption of preferred dividends from the surtax, but this might be in the neighborhood of $15,000,000 to $20,000,000. Thus the total saving might work out around $80,000,000, or some $22,000,000 less than if EPT were scrapped and the income tax rate left unchanged.

However, it should not be assumed that utility earnings will increase by the above estimated amounts in 1946. In the month of July net income of all Class A and B electric utilities was down 2.8% from last year (for the 12 months ended July 31 decline was only 0.6%). According to preliminary estimates for August, net income for that month was down about 10% from last year. The Commonwealth & Southern system, probably affected as much as any important system by military cutbacks, reported a slight gain in gross revenues for August but the balance after charges was down about 2% as compared with a gain of nearly 9% in the first eight months. In addition to a decrease in earnings resulting from industrial reconversion and labor disturbances, State commissions may be more active in ordering rate cuts than they have been during the wartime period. The utilities may be lucky, therefore, to salvage even half the anticipated tax savings, as a net gain in the balance for common stock dividends. An increase of even $40,000,000 to $50,000,000 in dividends paid to common stockholders, or about 15-20%, would just about restore payments to the 1939-40 level.

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LOS ANGELES, CALIF.—Carter H. Corbrey & Co., 650 South Spring Street, announces that Paul H. Aschkar has become associated with them as manager of the trading department. Mr. Aschkar in the past was with Franklin Wulff & Co., Mason Brothers, and Schramm, Eddels & Co.

Norman V. Grimsditch is also now connected with the firm.

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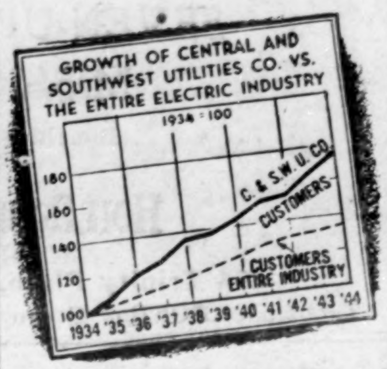

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One Unused Tool of Management

By JOHN M. HANCOCK*

Partner, Lehman Brothers, New York
Co-Author of Baruch Report on Reconversion

Asserting That the Great Tool of Management Is the Ability to Influence People to Cooperate, Mr. Hancock Points Out That Managers Should Strive to Give Consumers What They Want at Prices They Can Pay. Calls for Cooperation of Labor and Management Without Coercion and Without Government. Cautions Both Management and Labor Not to Lean on Government if Free Enterprise Is to Be Maintained and Advocates a Courageous Move by Corporate Management to Improve Public Relations.

John M. Hancock

About 35 years ago I underscored a sentence in my copy of a Gantt book. That sentence was: "A system of management is a means of causing men to cooperate with each other for a common end." There is a wealth of philosophy in those few words, and let me pick out a few points for further emphasis. You note he called it a "means for causing men to cooperate." He didn't say a "means for compelling men to produce." He thought of the America he knew when we didn't dream of a regimented economy or a Socialized State. He knew then what this war has proven to us—that no plan of coercion by the State will result in as much production as when free men work together for a common end. He knew that good working conditions for free men, with help given to show them how to do their jobs in the easiest possible way, and with a fair reward based on production efficiency were the steps by which to attain a higher standard of living for not only the producers but the consumers as well. He wanted ways found for men to produce more with less effort and he proposed to give them their fair share of the gains secured.

He knew there was almost no limit to what the people would want in the way of goods and services, but he recognized there was a limit to their ability to buy unless costs could be cut, so he proceeded to cut costs effectively, thus widening the market, guaranteeing larger volume and progressively lower costs, good profits to the producer who had both the inducement and the means to add further to plant capacity. He believed in mass production and its attendant benefits to the entire population.

That had been the process in America since Civil War days, lower prices for manufactured goods, more mechanization, easier jobs, shorter hours and higher pay, with the highest standard of living attained any place on the globe at any time in history.

Gantt, too, had a spiritual side to him, for he wrote: "Neither labor unions that regard their interests as essentially antagonistic to that of employers, nor employers' associations whose only effort is to oppose force with force, can ever effect a permanent solution of the problem of the proper relations between employers and employees." He knew that neither side could coerce the other to its ultimate gain, for someone else was bound to find a way through cooperation to avoid the costs of that kind of war. That man who had the best means of causing or inducing men to cooperate could always capture the market. With wide open opportunity the efficient producers had no great trouble in forging ahead, for the

(Continued on page 1841)

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*An address by Mr. Hancock at the American Management Association Conference, Waldorf-Astoria Hotel, New York City, Oct. 10, 1945.

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CHICAGO, ILL. — Ames, Emerich & Co., Inc., 105 South La Salle Street, members of the Chicago Stock Exchange, announce that Walter J. Malatesta has become associated with them. Mr. Malatesta was formerly assistant director of the Chicago Sub Region of the War Production Board, with which agency he served three and one half years.

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Real Estate Securities

There has been a lot of comment recently about the price rise in real estate securities. In the humble opinion of the writer, there is nothing so remarkable about this action. Considering earnings and the intrinsic value of the properties securing some real estate securities, there is no reason why the bonds should not sell at par and where the bonds also carry stock, the price should be in excess of par.

Competition from new buildings should be nil because of the inability to finance new construction, plus the fact that the cost of new construction will mean much higher rents in the newer buildings compared to existing structures.

We do not agree at all with the pessimists on downtown (financial district) real estate. They argue that when the Government vacates the space they occupy, difficulty will ensue in reletting the space. The writer feels that this is a wrong attitude and that such space will quickly be absorbed at much higher rents than the Government is paying.

Financial district real estate bonds, because of the large discount at which they are offered, seem to offer more leverage for price appreciation than other comparable bonds in different sections of the city.

Speaking of leverage possibilities, the New York Majestic bonds, selling at about 26, may be worth looking into. If the OPA grants any relief from frozen rents, this property should be helped materially. Unfortunately, they were frozen at very low rent levels.

We would not be surprised to see several special sinking fund operations of real estate issues before the end of the year to take advantage of special tax benefits which expire this year.

Regular sinking fund operations will take place shortly in 61 Broadway and Hotel St. George bonds. 61 Broadway will have $35,000 for this purpose and the Hotel St. George about $150,000.

A Program of Tax Revision

Laurence Arnold Tanzer, Chairman of Taxation Committee, of the Commerce and Industry Association of New York, Recommends (1) a Flat Reduction of 15% in the Corporation Income Tax Rate; (2) Repeal of the Excess Profits Tax; (3) Exemption of Dividends From the Normal Individual Income Tax; (4) Repeal of the Capital Gains Tax and (5) Elimination of "Declared Value" and Capital Stock Taxes. Favors a Flat Reduction of 20% on Individual Income Taxes, With an Eventual Reduction to a Rate in the Highest Bracket Not to Exceed 50%. Would Retain Present Individual Exemptions and "Withholding" Collection Method.

The Commerce and Industry Association of New York on Oct. 10 released the following report of its Committee on Taxation and Public Revenue, of which Laurence Arnold Tanzer, of Tanzer and Mullaney, New York is Chairman:

Laurence A. Tanzer

With the sudden ending of the war on both fronts the task of revising our Federal tax structure and rates becomes one of prime importance in order that reconversion of industry to peacetime production may proceed without untoward delay. The objective in the tax program which we recommend is the greater employment of men and money in the peace years.

In November, 1944, the recommendations of the Committee on Taxation and Public Revenue with regard to a Federal Post-War Tax Program were adopted by your Board. In the light of the cessation of hostilities and the need for immediate corporate and individual tax relief as an aid to greater employment and purchasing power, your Committee has reexamined the Association's tax policy and recommends a tax program to take effect on Jan. 1, 1946, as well as a longer-range Federal tax program.

A. Corporation Taxes

1. Corporate Income Tax Rates

In order to expedite the adoption of a lower income tax rate for corporations and have it apply in the year 1946, your Committee recommends that at the present time no revisions be made in the corporate tax rate schedule. It recommends, instead, that for the year 1946, a flat reduction of 15% be made after computing the tax under the present law. The long-range program should provide a maximum rate of 30% or less for the year 1947 and 25% or less for 1948.

Your Committee recommends that the Association continue its opposition to graduated income tax rates on corporations, and that corporations be subject only to a flat rate corporate income tax.

2. Excess Profits Tax

The excess profits tax, which was adopted as a wartime measure, should be repealed as of Dec. 31, 1945.

The Tax Adjustment Act of 1945, adopted by Congress in July, 1945, authorized an increase in the excess profits tax exemption from $10,000 to $25,000, effective beginning with the tax year 1946. At the time the bill was being considered this Association urged that the increased exemption be applicable for the year beginning Jan. 1, 1945. Assuming that the excess profits tax will be repealed as of Dec. 31, 1945, this increased tax exemption should be made retroactive to Jan. 1, 1945, so that the smaller companies might avail themselves of the advantage of this exemption which the Tax Adjustment Act of 1945 originally set out to grant.

The unused excess profits tax credit provision was included in the law to protect the taxpayer against great variations in year to year earnings. In order to maintain this protection it is recommended that the provision permitting unused excess profits credits to be carried back for two years be retained even after the repeal of the excess profits tax, and that

(Continued on page 1861)

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Loan to Netherlands

Export-Import Bank Announces $50 Million Credit for Purchases in U. S.

WASHINGTON, OCT. 17.—The Export-Import Bank has announced the signing of a loan agreement with the Kingdom of the Netherlands, providing for a line of credit of $50,000,000 "to finance the acquisition in the United States of specified United States agricultural and manufactured products for use in the metropolitan territory of the Kingdom of the Netherlands."

This announcement is in confirmation of the information given the "Chronicle's" representative by the Netherlands Finance Minister last month and published in the "Chronicle" at the time. It will be recalled that the Dutch Finance Minister Lieftinck at the time pointed out that the Netherlands East Indies also were seeking a $10,000,000 credit.

The Export-Import Bank announcement adds:

"The specified products and services consist of those for which requisitions had been filed and approved before V-J Day by the Kingdom of the Netherlands with the Government of the United States under the provisions of the so-called 3 (C) Lend-Lease Agreement between the two countries, but which had not been contracted for prior to V-J Day. Purchases financed by advances under the credit may be made through the United States Government procurement channels during a period of 60 days from V-J Day. However, representatives of the Netherlands Government indicated that such purchases will be made partly through American private trade channels during this period and, of course, entirely through private channels thereafter.

"The credit is to be available until June 30, 1946. Advances under the credit are repayable in sixty approximately equal semi-annual installments, the first of which becomes due on July 1, 1946. The Kingdom of the Netherlands will have the right to prepay on any interest date all or any part of the principal of any note issued pursuant to the loan agreement, any such prepayment to be applied to the installments of principal in the inverse order of their maturity.

"Advances under the credit will bear interest at the rate of 2⅜% per annum on the unpaid principal balance outstanding from time to time. Interest is payable on Jan. 1 and July 1 of each year.

"The provisions of the loan agreement relating to the rate of interest and maturities are identical with those of the Lend-Lease Agreement between the United States and the Netherlands which became inoperative as of V-J Day. This is so, because the credit is to be used specifically for the acquisition of United States products and services which had already been requisitioned under the Lend-Lease Agreement and approved prior to V-J Day.

"The Export-Import Bank stands ready to sell to commercial banks or others on appropriate terms the notes which it will receive from the Netherlands pursuant to the agreement. To further this purpose, the agreement provides that such notes may be divided or consolidated as may be required."

Babson Discusses More Industries

He Comments on Atomic Energy

BABSON PARK, MASS.—Continuing my comments of last week:

Roger W. Babson

Mining

It is difficult enough to comment on factories, raw materials and finished goods **above** ground. Hence, I do not attempt to make any predictions as to what is **below** ground. Post-war prices will be less for most mining products, but they are excellent inflation hedges. Some also may profit from atomic energy developments.

Merchandizing

I will not forecast how the large department stores, which are nailed down to one corner, will fare during coming post-war years; but I am very bullish on the chain stores. These include the grocery chains and variety chains, —especially the so-called "five-cent-to-a-dollar" stores.

Motion Pictures

This industry has prospered tremendously with the war. For awhile, however, lower earnings must be expected. Furthermore, the industry is faced with government suits and the competition of television. I would rather invest in something else.

Office Equipment

Notwithstanding the large amount of secondhand office equipment which the government may press for sale, I am optimistic on the industry and believe the stocks are reasonably priced. This comment also applies to the furniture industry.

Oils

I am not worried about any post-war oil shortage or strikes. The industry has no reconversion problems. It will profit by diversification through chemicals, plastics, synthetics, etc. Hence, I am still reasonably bullish on the oil stocks for the present. The long-pull outlook depends partly on atomic energy developments.

Publishing

This industry which has been so handicapped during the war—through lack of workers, paper and freedom to print "all the news"—will soon be able to step out again. I believe that newspapers, magazines and printing in general have some exceptionally good years ahead. They surely deserve a "break."

Paper Products

Large imports of pulp may be expected from Norway, Finland, and possibly Russia. This is not a good omen for domestic pulp manufacturers; but should be a blessing to the manufacturers and convertors of paper products. I am, therefore, bullish on the stocks of the latter paper manufacturing group.

Railroads

I have been bearish on the railroad industry since last June and as yet see no reason for changing my position on these transportation companies. I am not bearish on the railroad equipment industry.

Rubber

The rubber stocks should hold their present level or do better during the postwar period. Their markets should expand and their operating costs should decrease.

Steel

After the complete reconversion of the nation's economy and a reduced tax burden the steel companies should show better profits. Everyone is justified in having a few steel stocks in his portfolio.

Tobacco

Not being a smoker myself, I am in no position to forecast as to the future of the tobacco industry. Most of my friends, however, are bullish on this industry.

Textiles

The textile industry should have at least one exceptionally good postwar year, but after this both demands and profits should flatten out. It is a "feast or famine" industry.

Utilities

The utilities are once again getting fair treatment. Any cut in taxes will help most utilities. Every investor may continue to hold a reasonable proportion of operating utility securities; but all should watch atomic energy developments.

Miscellaneous

I am bullish on the market as a whole. Perhaps the safest method would be to diversify among all these leading industries—instead of picking winners. By all means do not put too much of your money in any one industry unless it is merchandising, which profits from all industries and hence is a form of diversification in itself.

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NOTE—*From time to time, in this space, there will appear an advertisement which we hope will be of interest to our fellow Americans. This is number 104 of a series.*
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Alive Today...!

By MARK MERIT

This recorder has just spent a fascinating hour with our Dr. Charles E. Dutchess, Medical Director of Schenley Laboratories, Inc., producers of Penicillin-Schenley.

We asked the doctor, "What was really remarkable about the development of Penicillin"? Here is his ready response: "Not alone the fact that an alert scientist observed something unusual on a contaminated plate and realized its significance; nor that he proceeded to prove the significance and possibilities of his discovery, for the history of science is full of stories just like that. In this case the discoverer had neither the time nor the facilities to proceed with the development of the seemingly wonderful new substance, whose existence he had discovered. And some years later when colleagues undertook to develop this material, they too soon came to the end of their resources and had to have help. They sought it and obtained it from the Rockefeller Foundation.

"But something more was needed —the cooperation of many individual scientists and more than a single institution — of a United States Government bureau, and even international cooperation.

"Early specimens of Penicillin were flown across the Atlantic in bombers to expedite the development. The world was aflame and money alone did not count. A method for the quantity production of this precious product had to be worked out. So behind this development went the resources of the United States Government . . . quickly followed by the resources of enterprising American business firms, who were willing to expend huge sums and thousands of hours of manpower towards one end . . . the saving of lives.

"The remarkable thing, then, was the tremendous cooperative effort which was contributed when it was urgently required. It *had* to be done, and everybody cooperated and *got* it done!"

Yes, Penicillin might have been developed surely, but much more slowly, under normal conditions. Under the stress of the existing emergency, however, research and development were accelerated and the world got Penicillin when it needed it most. Men are alive today, thousands of them, because of this wonder working agent—PENICILLIN.

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Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Desirability of Railroad Securities for Investment—reprint of article by Arthur C. Knies, partner in Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Also available is a memorandum on **Chicago, Rock Island & Pacific Arbitrage.**

Dow Theory Barometer — A weekly service predicting future trends in the stock market—Four weeks' trial, $1—Gaylord Wood, Inland Building, Indianapolis Ind.

Graphic Stocks—Comprehensive book of stock charts showinsg 900 up-to-date graphs covering virtually every active stock listed on the New York Stock and Curb Exchanges, with monthly highs and lows for 10 years, and earnings and dividends from 1936—Edited and published bi-monthly—Single copy (150 pages), $10; annual service (six revised issues), $50—F. W. Stephens, 15 William Street, New York 5, New York.

More Bank Stock Extras Seem Imminent—New bulletin—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Also a new bulletin on **Third Quarter Statistical Comparison of 19 New York City Bank Stocks.**

News & Views—current developments in certain insurance stocks—Butler-Huff & Co. of California, 210 West Seventh Street, Los Angeles 14, Calif.

Paint Industry — comparative figures on several companies offering speculative attraction — Brand, Grumet & Ross, 120 Broadway, New York 5, N. Y.

Amalgamated Sugar Company—discussion of outlook—Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

Also available are memoranda on **Ferry Cap & Set Screw Company** and **Gleaner Harvester Corporation.**

American Forging and Socket—Circular—De Young, Larson & Tornga, Grand Rapids National Bank Building, Grand Rapids 2, Mich.

American Hardware Corporation — special analysis — Amott, Baker & Co., Inc., 150 Broadway, New York 7, N. Y.

Arizona Edison Co.—Descriptive circular—Seligman, Lubetkin & Co., 41 Broad Street, New York 4, New York.

Also a detailed circular on **Foundation Co.; Fashion Park,** and **Wellman Engineering Co.**

Baker-Raulong Company—Analysis of condition and post-war prospects—F. H. Koller & Co. Inc., 111 Broadway, New York 6 N. Y.

Also available are analyses of **Liquidometer Corp., Delaware Rayon and New Bedford Rayon.**

Bank of America — analytical summary—Huff, Geyer & Hecht, 67 Wall Street, New York 5, N. Y.

Also available is a memorandum on the situation in **New York City Bank Stocks.**

Bank of America N. T. & S. A.—dividend history of the bank and its predecessors—First California Company, Inc., 300 Montgomery Street, San Francisco 20, Calif.

Blair & Co.—descriptive memorandum on interesting low-priced speculation in financial underwriting—Du Pont, Homsey Co., Shawmut Bank Building, Boston 9, Mass.

Chanin Building Corp.—Circular—Walter Murphy, Jr. & Co., 49 Wall Street, New York 5, N. Y.

Also available is a report on **Savoy Plaza, Inc.**

Cliffs Corporation — memorandum—Kitchen & Co., 135 South La Salle Street, Chicago 3, Ill.

Consolidated Cement Corp. Class A—Bulletin on recent developments—**Lerner & Co.,** 10 Post Office Square, Boston 9. Mass.

Also available are circulars on **Central Iron & Steel, Oregon Portland Cement.**

Consolidated Gas Utilities and **The Chicago Corp.**—Circulars—Hicks & Price, 231 South La Salle Street, Chicago 4. Ill.

Dunningcolor—Descriptive circular—J. F. Reilly & Co., 40 Exchange Place, New York 5, N. Y.

Also available is a memorandum on **International Detrola.**

Electromaster Inc. — Recent report — **Mercier, McDowell & Dolphyn,** Buhl Building, Detroit 26, Mich.

Also available a report on **Sheller Manufacturing Corp.**

Franklin Railway Supply Co.—Analysis—W. J. Banigan & Co., 50 Broadway, New York 4, N. Y.

Fresnillo Company—descriptive circular on this Mexican Silver Mine—Shepard, Scott & Co., 44 Wall Street, New York 5, N. Y.

Hajoca Corp.—Circular on interesting possibilities—Hoit, Rose & Troster, 74 Trinity Place, New York 6, N. Y.

Also available is a memorandum on **Thermatomic Carbon Co.** and a new analysis of **Panama Coca-Cola.**

Interstate Co.—Detailed study of the company which operates restaurants, serving the public at key transportation centers—Kneeland & Co., Board of Trade Building, Chicago 4, Ill.

Also memoranda on **North West Utilities Co.** and **Portland Electric Power Co.**

Lamson & Sessions Co.—Study of outlook and speculative possibilities for appreciation for this company—Ward & Co., 120 Broadway, New York 5, N. Y. Also available are late memoranda on: **Great American Industries; Alabama Mills, Inc.; American Hardware; Douglas Shoe; TACA Airways; American Window Glass; Michigan Chemical; Lawrence Port. Cement; Oxford Paper; and Purolator Products.**

Le Roi Company — Study of common stock as a sound speculative purchase — First Colony Corporation, 70 Pine Street, New York 5, N. Y.

Also available are studies of **Pittsburgh Railways, Simplicity Pattern Co., Inc.,** and **Winters & Crampton.**

Liberty Aircraft Products Corporation and **Autocar Company**—descriptive pamphlet — Model, Roland & Stone, 76 Beaver Street, New York 5, N. Y.

Lipe-Rollway Corporation—circular—Herrick, Waddell & Co., Inc., 55 Liberty Street, New York 5, N. Y.

Locomotive Firebox Co.—Circular discussing attractive post-war possibilities—Amos Treat & Co., 40 Wall Street, New York 5, N. Y.

Long Bell Lumber Co.—detailed brochure for dealers only—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

Magnavox Company—Report—Cruttenden & Co., 209 South La Salle Street, Chicago 4, Ill.

P. R. Mallory & Co., Inc.—Analytical discussion — **Steiner. Rouse & Co.,** 25 Broad Street, New York 4, N. Y.

Midland Utilities and Midland Realization Company—A study of Values and Distribution, prompted by consensus of opinion pointing to near-term liquidation of utilities and realization companies—Fred W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

Also available are brochures and statistical information for dealers on **Garrett Corporation** and **Magnavox Company.**

Mississippi Glass Co. — Recent analysis—Caswell & Co., 120 South La Salle Street, Chicago 3, Ill.

National Radiator Co.—Analysis, for dealers only—**C. E. Unterberg & Co.,** 61 Broadway, New York 6, N. Y.

National Terminals Corporation—circular—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

Also available is a memorandum on **Howell Electric Motors** and **American Service Co.**

Pollak Manufacturing—analysis—Raymond & Co., 148 State Street, Boston 9, Mass.

Also available is a study of **Baltimore & Ohio**; and a New England company established in 1862 which has arrears of $67.50 on the 5% $100 par preferred stock—ask for analysis M.C.P.

H. K. Porter Company—analysis—Sills, Minton & Company, Inc., 209 South La Salle Street, Chicago 4, Ill.

Also available are statistical memoranda on **Liberty Loan Corporation; Maryland Casualty Co.,** and **Serrick Corporation.**

Public National Bank & Trust Company—Analysis—for dealers only—**C. E. Unterberg & Co.,** 61 Broadway, New York 6, N. Y.

Also notes on the Sept. 30, 1945, statement.

Schenley Distillers Corporation—Brochure of articles they have been running in the Chronicle—write to Mark Merit, in care of **Schenley Distillers Corporation,** 350 Fifth Avenue, New York 1, N. Y.

Shakespeare Company—detailed brochure—Lewisohn & Co., 61 Broadway, New York 6, N. Y.

Southern Pacific System—Original analysis—A. W. Benkert & Co., Inc., 70 Pine Street, New York City.

United Printers & Publishers—Memorandum—Buckley Brothers, 1529 Walnut Street, Philadelphia 2, Pa.

Also memoranda on **Gear Grinding Machine Co.** and **Standard Stoker.**

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(Special to THE FINANCIAL CHRONICLE)

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Canada Acting Against Stock Selling Fraud

New Law for Extradition Before Parliament Will Importantly Affect Mining Stock Sales to U. S. Citizens. Defines Fraud Occasioning Extradition. Opposition by Ontario Business Interests, Who Are Continuing to Sell Unregistered Securities.

TORONTO, Oct. 17.—A protocol to the Canada-United States Extradition Treaty was tabled in the House of Commons yesterday by the Acting Secretary of State for Foreign Affairs, Hon. Louis St. Laurent.

The protocol deals with three clauses of the treaty of 1942 providing for extradition for the fraudulent use of the mails, the violation of laws for the prevention of fraud in the sale of securities and dealing with laws regulating public security markets, the registration or licensing of securities and investment or public utility companies. The occasion for extradition is defined as dealing with (a) fraud as defined by the laws of both countries; or

(b) Willing and knowing violation of the laws of the requesting country (the United States).

In explanation of the protocol Hon. Mr. St. Laurent said that it was designed to meet objections voiced widely in Canada by business, industrial, financial and other bodies when the treaty itself was signed in April, 1942. A special clause provides that it will not be retroactive in effect for offenses which are added to the causes hitherto existing for extradition. It also purports to protect unwitting violators of the securities laws and regulations of 48 states and of the U. S. Securities and Exchange Commission by providing that this course shall only apply to offenders who commit the offenses "willfully and knowingly."

However, much of the old opposition was to "offenses" being included at all in the extradition treaty and that remains strong. With the expectation that the protocol would make the modifications which it actually has made, representatives of the Canadian Chamber of Commerce, various boards of trade, the Canadian Manufacturers Association, of Stock Exchanges, Securities Associations and Mining Associations met recently in Toronto to discuss the matter. The view was expressed by lawyers called in to report as to the probable effect that to accept such a treaty would be to accept a distinct loss of sovereignty for Canada and that it would leave the way open to infringement of fundamental liberties.

When asked what "wilful and knowing" violation of a regulation would be, lawyers said that the mere issuing of "cease and desist" orders would be considered sufficient notice. Another thought that the notice would consist of sending copies of regulations under registered mail to alleged offenders, whose acknowledgments of receipt to the postal authorities would be used as evidence that they knew the regulations even if they never read them. The protocol provides that publishers of Canadian newspapers carrying advertisments of securities not registered in the United States could not be extradited and that such an advertisement would not be considered an "offense" because some copies crossed the border if the circulation in the United States was considered incidental.

The main objection stated in Toronto is that an extra-territorial body would have the means to extradite Canadian residents for offenses and crimes which are not offenses and crimes in Canada. Extradition is regarded as bad in principle when applied to anything but crimes which are so recognized in both countries. The Attorney-General of Ontario, Hon. Leslie E. Blackwell, has evidence against Ontario residents who appear to be observing all Provincial laws. He has asked that the evidence on which the orders are based be sent to him in order that he might judge whether those named are unfit people to be allowed to sell securities. He says no such evidence has yet been forthcoming of activities which would be considered illegal in Ontario.

The inclusion of offenses in the extradition treaty is regarded by those opposing it as another way of accomplishing the same purpose, that is, of taking Canadians to United States courts without first proving their guilt here. The controversy has had the effect of causing bond and stock issues advertised to carry the inscription that they are not to be considered as being offered to residents of the United States. Various security houses report that they are returning checks from Americans to be on the safe side.

Others are still continuing to sell stocks which are not registered, declaring that extradition on the grounds asked for would reduce the security business between Canada and the United States to a trickle. It has been over the decades a very large business but those selling speculative issues of mining stocks claim that the expense of meeting registration, licensing and other requirements in Washington and the States where it would be desirable to sell, are prohibitive. They claim that those restrictions are not desirable and that selling from Canada is legal.

The business opposition to the treaty makes it plain that they fear most the question of infringement of sovereignty and the wide applications that the treaty might have if it embodied the right to extradite for offenses against regulations most of which must be unknown to potential offenders and some of which may not yet be passed.

The Legislative Status

To "table" a report or document or protocol is to lay it on the table of the House of Commons. It is then officially a part of the information available for the House and can be either debated, acted on or ignored in subsequent proceedings. The treaty and the protocol will stand on the same footing when both are placed on the table. Some authorities think the government can ratify the treaty and protocol without Parliamentary sanction but as a matter of custom Parliamentary approval will in all probability be sought. It could be sought by introducing a bill but that would be subject to debate clause by clause.

Press correspondents at Ottawa suggest that the approval of Parliament may be sought by introducing a resolution. A resolution might be very short, simply asking that Parliament approve the treaty and protocol. Simple approval or rejection of the whole treaty would be involved. In such a case some member could move that the resolution and the treaty and protocol be referred to a committee of the House of Commons or Senate to consider the matter and to hear the views of various associations and groups of citizens. That would be asked on the ground that there has been much expressed objection to certain clauses of the treaty and to the inclusion of offenses. In legal status the protocol is considered here as having the same force as the treaty and as being part of it.

Ottawa reports that securities commissions of other Provinces do not object to the new treaty. The whole matter will be debated in Parliament when the bill asking approval to the new extradition treaty and its protocol comes down.

The Ontario government's position is probably best described as "on the fence." Ontario cannot be said to be "officially" opposed to the treaty. Hon. Leslie E. Blackwell, Attorney-General of Ontario, stated to your correspondent today: "The present Ontario government has never been consulted with regard to the negotiation of the treaty or what its terms might be and so far has no official notice of its terms. For that reason the government has refrained from expressing any opinion, pro or con. No matter what has been published as to what it contains I think I should not speak of it officially except as a result of examination of the exact document."

Lt. Col. A. Roosevelt At Roosevelt & Son

Lieut. Colonel Archibald Roosevelt, son of the late President Theodore Roosevelt, who received a medical discharge from the United States Army on Sept. 4th, is now making his headquarters with Roosevelt & Son, 30 Pine Street, New York City.

Lt. Col. A. Roosevelt

Colonel Roosevelt served with the 41st Division, 162nd Infantry, and took part in the campaigns at Salamaua, Hollandia and Biack Island. He was wounded on Biack in July, 1944, and sent back to the United States, where he trained troops at Camp Gordon, Georgia. In World War I, he served as a Captain with the 1st Division, 26th Infantry, and also was wounded in action.

Colonel Roosevelt has been awarded the Croix de Guerre with Silver Star, the Silver Star with Oak Leaf Cluster, the Purple Heart with Oak Leaf Cluster and the Knights of Danelos (Montenegro).

Chicago Personnels

CHICAGO, ILL. — William L. Folds has joined the staff of John A. Dawson, One North La Salle Street. Mr. Folds has recently been serving in the U. S. Army Air Corps. In the past he was with Paine, Webber & Co., and Haskell, Scott & Jennings, Inc.

CHICAGO, ILL.—Eustach Bregy is with C. L. Schmidt & Co., Inc., 120 South La Salle Street.

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Michigan Brevities

R. J. Goldie, and Austin Lynch have been re-elected directors of the Timken Detroit Axle Company for three-year terms. At the annual meeting of directors, following the stockholders meeting. Paul V. Osborn was elected Vice-President in charge of manufacturing, and L. W. Fischer and N. R. Brownyer were also elected Vice-Presidents of the company.

Osborn joined Timken in 1941 as Assistant to the Vice-President. Previously he was with the Carrier Corporation.

Fischer has been connected with the engineering department since he joined Timken in 1921. In his new post he will continue in an executive sales and engineering capacity. Brownyer joined Timken in 1926 as a sales engineer. Previously he was Chief Engineer of Gotfredson Truck Corporation and before that was associated with the Paige Motor Car Company.

* * *

T. Allan Smith, President of the Detroit Clearing House Association, announced resumption of the former peacetime schedule of banking hours of 10 a.m. to 3 p.m. daily, Mondays through Fridays, and 9 a.m. to 12 noon on Saturdays, after Oct. 12, by the following banks in the Greater Detroit area.

Commonwealth Bank, The Detroit Bank, Industrial National Bank, Manufacturers National Bank of Detroit, National Bank of Detroit and the Wabeek State Bank.

The wartime emergency schedule of extended hours on Fridays was discontinued, Smith stated, because an analysis of business transacted during those hours reveals that the need for additional banking hours no longer exists.

* * *

Woodall Industries revealed the purchase of Board Fabricators Inc. of Long Island, fabricators of masonite.

The company also declared a 33⅓% stock dividend, payable Oct. 31 to stockholders of record Oct. 10.

* * *

Personnel Notes — Edward S. Evans, Jr. has been elected President of Evans Products to succeed his father, the late Edward S. Evans. . . . Ottmar A. Waldow, Controller of the National Bank of Detroit, has been elected to the board of directors of the Controllers Institute of America. . . . Frank Noble has been promoted to the post of sales promotion manager of Eureka Vacuum Cleaner Company. . . .

* * *

Harry Bennett, former Vice-President of Ford Motor Company, has announced the formation of B. G. F. Company, manufacturers' representatives. With him in the organization will be Byron Geller, former Assistant Attorney General of Michigan and Stanley Fay, Bennett's former assistant at Ford.

* * *

President Glenn D. Curtis of the Trenton Valley Distiller has revealed that the company has contracted with Schenley Distillers to take the entire output of alcohol through March 31, 1947.

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F. R. V. Lynch Joins Van Alstyne, Noel Co.

Lieut. Commander Frank R. V. Lynch, on terminal leave from the United States Naval Aviation Reserve, is joining the New York Stock Exchange firm of Van Alstyne, Noel & Co., 52 Wall Street, New York City.

Frank R. V. Lynch

Commander Lynch was on the staff of Commander Air Force, Atlantic Fleet, later becoming Senior Air-Controller, Northwest Sector, Western Sea Frontier, with headquarters in Seattle. At the time of his release he was attached to the office of Secretary of the Navy.

During World War I he was a member of the first Yale Unit. He flew overseas on anti-sub operations, was a member of the Northern Bombing Group in France, and was awarded the Navy Cross.

Commander Lynch formerly was a part owner and Executive Vice-President of Munising Paper Company, assistant publisher and business manager of "Nation's Business," and a director of General Bronze Company.

Bond Club of Detroit Launches '45-6 Season

DETROIT, MICH.—The Bond Club of Detroit opened the 1945-46 season with a luncheon at the Hotel Statler.

Gerald Miller, of Miller, Kenower and Company, was speaker. Mr. Miller has been in Government service as a civilian for the past 3½ years in London as executive official of the operations branch of the Office of Strategic Services. In his talk he described how, as chief of the branch, his staff supplied and also controlled the activities of the French underground.

C. Lee Jones Rejoins Staff Of Baker, Simonds & Co.

DETROIT, MICH. — C. Lee Jones, former Captain in the U. S. A. A. F., has rejoined the staff of Baker, Simonds & Co., Buhl Building, members of the Detroit Stock Exchange, it is announced by Ralph Simonds, President of the firm.

Mr. Jones, who also has two sons in the Air Corps, was at the Lodwick School of Aeronautics in Lakeland, Florida, as commanding officer of the air depot detachment and later was assigned to contract termination work.

Woods With D. F. Rice

CHICAGO, ILL.—Louis Woods, Jr. has become associated with Daniel F. Rice and Co., Board of Trade Building.

Connecticut Brevities

On Oct. 2, a new issue of $15,000,000 Connecticut Light & Power Company, First and Refunding 3% Mortgage Bonds, Series K, due Oct. 1, 1980 were offered to the public by an investment banking group headed by Putnam & Co. of Hartford and Chas. W. Scranton & Co. of New Haven. The bonds were priced at 106¾ and accrued interest to yield 2.70%.

Proceeds from this sale will be applied to the redemption on Dec. 1, 1945 at 107 and interest of $15,000,000 first and refunding mortgage 3¼% series H bonds due Dec. 1, 1968.

Upon completion of this refinancing, the company will have outstanding $10,000,000 3% bonds series I due 1974, $16,000,000 3% bonds series J due 1978, the present $15,000,000 new issue, and $134,000 Northern Connecticut Light & Power first mortgage 5s due in 1946.

* * *

The Southern New England Telephone Company established three new records in the month of August: the largest volume of toll and long-distance calls, the greatest number of telephones in service, and the highest amount of total telephone revenue in any one month.

Total telephone revenue for the month was $2,824,898, while net profit was $249,953 compared with $225,439 in August of 1944.

The total of net income for the eight months ended August 31 was $1,693,338 compared with $1,620,573 for the corresponding period of last year. Earnings per share for these periods were $4.23 and $4.05 respectively.

* * *

For the 32 weeks ended Aug. 12, 1945, Veedor-Root, Inc. showed earnings of $1.73 a share against $2.19 for the corresponding period in 1944. This decline in earnings was apparently due to cutbacks in war orders.

The balance sheet as of August 12 showed current assets of $3,918,893 and current liabilities of $582,563, leaving a working capital of $3,336,330. The ratio of current assets to current liabilities was 6.8 to 1, which compares with 2.1 to 1 a year ago when current assets totalled $5,676,180 and current liabilities were $2,651,066.

$2,000,000 bank notes have been paid off this year.

* * *

The Hartford-Connecticut Trust Company showed indicated earnings of $1.76 a share for the third quarter of 1945 which compares with $1.61 for the corresponding period of 1944.

Phoenix State Bank & Trust Company for the same quarters showed $9.61 and $6.69 per share respectively.

Michigan Personnels

DETROIT, MICH.—E. Benjamin Foss is with Hulburd, Warren & Chandler. Mr. Foss has recently been with the State Tax Commission and Department of Revenue. In the past he was with Mason & Faulkner, Inc.

DETROIT, MICH.—Donald T. McHugh has become associated with Merrill Lynch, Pierce, Fenner & Beane, Buhl Building. Mr. McHugh has been with the U. S. Army for the past four years.

The Hartford-Empire Company, its licensees, and the Government have reached an agreement for the purpose of completing a settlement in the "Glass" suit and ending all disputes between the company and the glass container industry. A hearing on this proposed decree will be held on October 22 in the District Court of the United States in Toledo, Ohio.

The proposed decree would provide for the imposition of certain restraints upon the defendants, and the licensees would enter into new licenses at reduced royalty rates and would execute covenants against litigation.

Royalties in the amount of approximately $21,000,000 paid to the Receiver by licensees from Sept. 1, 1942 to Oct. 31, 1945 (on which no taxes have yet been paid) would be disposed of by paying 60% to the licensees and the remainder to the Hartford-Empire Company.

* * *

Royal Typewriter Company showed net profit of $1,467,962 for the fiscal year ended July 31 which compares with $1,056,581 for the preceding fiscal year. On a per share basis, earnings were $1.12 and 74c respectively.

* * *

Colt's Patent Fire Arms Manufacturing Company reported net profit, after taxes, of $485,857 for the 32-week period ended August 12 and for the 16-week period ended August 12, $186,067. While figures for corresponding periods of last year were not given, the 1944 year-end statement showed a loss of $3,661,691.

The balance sheet of Aug. 12, 1945 showed working capital of $8,252,258 compared with $7,402,377 at the beginning of the year. The V-loan was reduced to $5,000,000 against $11,000,000 on January 1. Cash on hand totalled $4,269,342 against $4,277,890 and marketable securities were $2,132,470 against $2,189,567. There was an increase in surplus of $485,857 bringing the total to $4,093,122 on August 12.

Conn. Personnels

HARTFORD, CONN.—Theodore R. Blessing has rejoined the staff of Coburn & Middlebrook, 49 Pearl Street.

HARTFORD, CONN.—Frank A. Gates is with Denton & Co., Inc., 805 Main Street.

HARTFORD, CONN.—Edward C. Cotter has rejoined Jackson Steiner & Co., Inc., 19 Lewis Street, after serving in the U. S. Navy.

NEW HAVEN, CONN.—Anthony J. DeMayo has become associated with Eisele & King, Libaire, Stout & Co., 197 Church Street. In the past he was with Libaire, Stout & Co., and Slepack & Co.

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Central Hanover Names Keller & Ingersoll

K. T. Keller, President of Chrysler Corporation, and C. Jared Ingersoll, railroad executive, were elected Trustees of the Central Hanover Bank and Trust Company of New York on Oct. 16 at a meeting of the board. Mr. Keller, a pioneer in the automobile industry since its early days, started with the Metzger Motor Car Company in Detroit in 1910. He was general master mechanic with Buick in 1916-1917, later becoming a Vice-President of Chevrolet. In 1926 he joined the Chrysler Corporation as Vice-President in charge of manufacturing and became President in 1935. Mr. Ingersoll has been a railway executive since 1920, when he became associated with the Midland Valley RR. Company, and has been its Chairman of the board since 1932. He is President of the Muskogee Company and is a director of the Pennsylvania Railroad. Girard Trust Company, and the Western Saving Fund Society. During the war, Mr. Ingersoll served in the U. S. Army as District Chief of the Philadelphia Ordnance District.

K. T. Keller

Missouri Personnels

KANSAS CITY, MO. — D. F. Jackson has joined the staff of Herrick, Waddell & Co., Inc., 1012 Baltimore Avenue.

ST. LOUIS, MO. — Harold E. Waggoner is with John R. Kauffmann Co., 506 Olive Street.

ST. LOUIS, MO. — Darryl W. Goode has recently been serving Gardner, 400 Locust Street. Mr. Goode has recently been serving in the armed forces.

ST. LOUIS, MO. — Estelle B. Leach and Jesse M. Myer are with Slayton & Co., 111 North Fourth Street. Mr. Myer has recently been serving in the U. S. Navy.

Dallas-Ft. Worth Club Holds Fall Party

FT. WORTH, TEX.—Members of the Dallas-Fort Worth Bond Club held their fall party at the Colonial Country Club. Golf and a dinner were the main features of the party for approximately 100 who attended.

Among the out-of-town guests were Charles Hahn, Scherck, Richter Co., St. Louis; Emmett Byrne, Dempsey-Tegeler & Co., St. Louis; Jack Hecht, Butler-Huff & Co., Los Angeles; David Sanders, Vance, Sanders & Co., Chicago; Malcolm Brown, New Orleans; Jack Halstead, Washington.

Blewer, Heilner & Glynn Is Formed

ST. LOUIS, MO.—Blewer, Heitner & Glynn has been formed with offices at 320 North Fourth Street to engage in a securities business. Partners are Norman Ernest Heitner and Joseph A. Glynn, Jr., formerly with the Mercantile-Commerce Bank & Trust Company, and Clarence F. Blewer, previously with Dempsey-Tegeler & Co. and the Mercantile-Commerce Bank.

Southwestern IBA Group Elects Evans

KANSAS CITY, MO. — The Southwestern Group of the Investment Bankers Association of America elected Harold C. Evans, Commerce Trust Co., Chairman, to succeed A. E. Weltner of A. E. Weltner & Co. Other new officers are: Harlan Herrick, Lathrop-Hawk-Herrick Co., Wichita, Kans., Vice-Chairman, and James M. McKim, A. H. Bennett & Co., Kansas City, Secretary-Treasurer.

Higher Prices Seen By Management Firm

Underneath all current discussions "nobody really expects anything but advancing wages and prices," according to Distributors Group, Inc., 63 Wall Street, New York City, investment manager of Group Securities, Inc., a $75,000,000 investment company.

"The hope is that both (wages and prices) will advance only to a limited and relatively modest extent."

These forecasts are set forth in the current investment report to the directors of Group Securities, Inc. The report continues: "The chief risk to investors is to be out of common stocks during the period of price advance. In our opinion common stocks are sounder holdings than cash, and for many investors sounder holdings than preferred stocks or bonds at this time."

As outstanding values for appreciation, and offering good current return, the report lists the following stock groups: Steel, railroad, aviation and railroad equipment shares. Merchandising and industrial machinery shares are also expected to do better than average. For investors chiefly concerned with well-assured and generous income as well as conservative appreciation possibilities, chemical and tobacco shares are recommended.

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Missouri Brevities

The board of directors of Stix, Baer and Fuller Company on Oct. 8 resolved to meet on Dec. 10, next, to consider the payment of an additional year-end dividend on the common stock in January, 1946, the last month of the company's fiscal year. On Jan. 30, 1945, a year-end distribution of 25 cents per share was made, bringing the total paid for the last fiscal year to 75 cents per share. The board declared a regular dividend of 25 cents per share, payable Dec. 1 to holders of record Nov. 15, 1945, which is at the same rate as that paid on June 9, last, and brought payments so far this year to 50 cents.

* * *

Coco-Cola Bottling Co. of St. Louis, declared the usual dividend of 25 cents per share, payable Oct. 20 to stockholders of record Oct. 10, the same rate as in preceding quarters.

* * *

The post-war program of the Cook Paint and Varnish Company calls for an expansion of plant facilities which will double the present output of paints, lacquers and enamels, Charles R. Cook, President, announced on Oct. 13. Work is expected to begin immediately on the construction of an addition to the company's North Kansas City unit to cost approximately $250,000.

"Sales during September demonstrated clearly that an expansion is necessary," Mr. Cook said. "Volume was practically the same as a year ago, although last month did not have any of the war business which existed in the previous year. Total sales for the nine months ended Aug. 31, 1945 were at a new record, reaching $13,023,485, an increase of 18% over the nine months ended Aug. 31, 1944. And the year ending Nov. 30, 1945 should produce the biggest volume in the company's history."

* * *

An issue of $75,000,000 Southwestern Bell Telephone Co. 40-year 2¾% debentures due Oct. 1, 1985, was offered on Oct. 9 by a syndicate headed by Halsey, Stuart & Co., Inc. of Chicago, and including Baum, Bernheimer Co. and Stern Brothers & Co. of Kansas City and Edward D. Jones & Co., McCourtney-Breckenridge & Co., Metropolitan St. Louis Co., Newhard, Cook & Co., I. M. Simon & Co., Smith, Moore & Co., Stifel, Nicolaus & Co., Inc. and Stix & Co., all of St. Louis. The proceeds are to be applied toward the retirement of (a) $30,000,000 of first and refunding mortgage 3% bonds, series C, due July 1, 1968, and (b) $45,000,000 of first and refunding mortgage 3½% bonds, series B, due Dec. 1, 1964.

* * *

On Oct. 11, an issue of $40,312,000 Terminal Railroad Association of St. Louis refunding and improvement mortgage 2⅞% bonds, series D, due Oct. 1, 1985, were offered publicly by a syndicate headed by The First Boston Corporation of New York and Boston, and including, among others, Smith, Moore & Co., St. Louis. The issue was quickly oversubscribed.

The proceeds, together with treasury funds, are to be used to retire $34,000,000 of general mortgage refunding 4% sinking fund bonds due Jan. 1, 1953, and $6,375,000 of refunding and improvement mortgage 3⅜% bonds, series B, due July 1, 1974.

* * *

At the close of the last fiscal year—ended April 30, 1945—the bonded debt of Kansas City, Mo., was $40,818,000, a net reduction of $1,879,000 when compared with the close of the previous fiscal year, ended April 30, 1944. It was also $8,012,000 less than on April 30, 1942, when the total bonded debt reached a record peak of $48,830,000. Interest charges during the latest fiscal year amounted to $1,315,165.

The only funded debt created by this municipality in the year ended April 30, 1945 was $189,000 of judgment issues. Total receipts from all sources during that period were $15.549,977 and disbursements amounted to $13,599,696. The cash balance at April 30, 1945 was $7,307,932.

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Members St. Louis Stock Exchange
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ESTABLISHED 1924

Member
St. Louis Stock Exchange

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ST. LOUIS 1, MISSOURI

Teletype — SL 62

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following weekly firm changes:

Transfer of the Exchange membership of the late Russell S. Cooney to Edward J. Shean will be considered on Oct. 18th. It is nderstood that Mr. Shean will do business as an individual floor broker.

Privilege of Lawrence Craufurd to act as alternate on the floor of the Exchange for Robert A. Drysdale, Jr. of Drysdale & Co. was withdrawn on Oct. 1st.

Edward E. Barry, general partner in Milton E. Reiner & Co., became a limited partner effective Oct. 1st.

Joseph Mindell retired from partnership in Marcus & Co. on Sept. 29th.

Interest of the late Howard C. Rand in Proctor, Cook & Co., ceased as of Sept. 30th.

This advertisement appears as a matter of record only and is under no circumstances to be construed as an offering of these Shares for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such Shares. The offering is made only by the Prospectus.

New Issue

30,000 Shares

Rheem Manufacturing Company

Cumulative Preferred Stock, 4½% Series

$100 Par Value

Price $103.50 per share

Plus accrued dividends

Copies of the Prospectus may be obtained from the undersigned only by persons to whom the undersigned may legally offer these securities under applicable securities laws.

Blyth & Co., Inc.

October 18, 1945.

This is not an Offering Circular. The Offer of these Bonds is made only by means of the Offering Circular, which should be read prior to any purchase of these Bonds.

NEW ISSUE

$40,000,000

The Kansas City Southern Railway Company

First Mortgage Thirty-Year 4% Bonds, Series A

Dated October 1, 1945 Due October 1, 1975

The issue and sale of these Bonds are subject to authorization by the Interstate Commerce Commission.

OFFERING PRICE 100% AND ACCRUED INTEREST

Copies of the Offering Circular are obtainable from only such of the undersigned as may legally offer these Bonds in compliance with the securities laws of the respective States.

Kuhn, Loeb & Co. **Ladenburg, Thalmann & Co.** **Blyth & Co., Inc.**

Dick & Merle-Smith **Eastman, Dillon & Co.** **The First Boston Corporation**

Harriman Ripley & Co. Incorporated **Kidder, Peabody & Co.** **Lazard Freres & Co.**

Merrill Lynch, Pierce, Fenner & Beane **Salomon Bros. & Hutzler**

Stone & Webster and Blodget Incorporated **A. G. Becker & Co.** Incorporated **Estabrook & Co.**

Hallgarten & Co. **Hemphill, Noyes & Co.** **Hornblower & Weeks**

Lee Higginson Corporation **F. S. Moseley & Co.** **Paine, Webber, Jackson & Curtis**

R. W. Pressprich & Co. **E. H. Rollins & Sons** Incorporated **White, Weld & Co.**

October 18, 1945

Federal Tax Revision—Its Scope and Pattern

(Continued from first page)

already $272.2 billion on Oct. 8 1945, while the fiscal year 1946 deficit, before tax reduction, was estimated at $30.4 billion; surely, the debt peak will not be reached by the end of the current fiscal year, and the estimated figure of $273 billion manifestly is altogether too unrealistically optimistic).

Tax Revision Essential

Tax revision is an immediate *must*. On this there is universal agreement—administrative, legislative, public. It is recognized that war-time taxation will become peace-time taxation only as the result of a series of transitional amendatory steps. The first of those steps was taken in the Tax Adjustment Act of 1945, which was enacted on July 31, 1945; the second is being taken in the House bill now before the Senate. Eventually there must be *tax reform*, but before tax reformation is achieved we appear destined to more mere *tax revision*, more tinkering.

The highest peace-time national income was $83.3 billions in 1929, and reached $80 in only one other year (1928); during the entire 1931-1939 period $70 billion was attained only twice ($71.5 billion in 1937, and $70.8 in 1939). These high 1937 and 1939 levels are equivalent to about $90 billion in 1945 "cost of living" dollars, if effect is given to decreased purchasing power of the dollar based on the 1935-1939 level. The national income for the calendar year 1945 is estimated at $157 billion in the September, 1945, issue of the "Survey of Current Business." Out of this estimated national income, Federal taxes under existing law will amount to about $22 billion (Federal corporate taxes of about $9 billion are deducted in the estimate of national income). Between $8-$10 billion is the estimated amount of State and local taxes. It is generally agreed that so great a burden of taxation can be borne only in the presence of so high a national income, and this is especially true when patriotic motivation temporarily supplants normal economic incentive to profit-making. There is unanimity of agreement that our national goal in the post-war period must be high production and high employment at relatively high compensation; compensation of employees is most important because it represents approximately 70% of total national income. While there are many estimates as to the prospective level of peace-time national income, it is quite possible that all of the statistical guesses may prove to be wrong. The more important of these estimates vary from $110 billion (at the pre-war price level) to $140 billion at the 1943 price level. While we *hope* that such peace-time national income may be realized and retained for a long period of time, the fact is that as recently as 1932 the national income dropped to $40 billion. Manifestly, the $8 billion of Federal, State and local taxes in that period was a greater burden than a combined tax of $30-$35 billion out of a national income of $100-$125 billion.

Federal Expenses Must Be Cut

Peace-time taxation cannot be achieved until war and war-induced expenditures have reached a level of about $20-$25 billion. That means a drop of $75-$80 billion from peak war-time expenditures. It also means expenditures of a magnitude three times as large as our highest peace-time expenditures. Annual interest charges alone will exceed total receipts of the national Government for any year up to 1937, except during the three post-World War I years 1919-1921!

The size of the Federal budget will be greatly influenced by national policy regarding management of the debt. Does anyone believe it possible to prevent the debt from reaching $300 billion? To provide for amortization in the presence of recurring annual deficits, as some advocate, is playing at make-believe. Even a 1% amortization policy, requiring 100 years for extinguishment, would add $3 billion to the Federal tax burden. And it was not until 1917 that the United States collected in total receipts as much as one billion dollars! After World War I, during two years (1932 and 1933) total Federal receipts from all sources amounted to $2 billion only. In determining national policy relative to debt management, there may be many who will urge that the debt be consolidated, without provision for amortization except in fortuitous windfall years, and these advocates will be able to point to British fiscal history to support the proposition that national growth and progress are possible under such non-debt reduction policy. Here we need not take sides in the argument, at least not yet.

As we approached V-E Day it was generally recognized that our tax load must be lightened and our tax laws simplified. Long before then, in fact as early as 1918-1920, students of taxation realized that our tax structure was becoming a nightmarish crazyquilt, unwarrantedly burdensome to business, industry and revenue administration, and as early as that the writer urged Congress to appoint a Tax Commission of experts for the purpose of developing a revenue measure which would serve changing fiscal needs by mere change in rates. England had demonstrated the feasibility of such legislation. Since that pioneer recommendation, the tax law has become infinitely more complicated, arbitrary, inconsistent—inexcusably so, to the consternation of administrator and taxpayer alike. Annual, and even more frequent, "tax tinkering" has been the cause. The American Institute of Accountants, other professional bodies, organizations of business men and labor, and others, are now united in demanding a commission of experts to draft fundamental tax reform.

Between V-E and V-J Days, the first step was taken to convert war taxation to peace taxation, or, rather, to interim or transitional taxation. A second transitional change is now before the Senate in the form of the bill passed by the House on Oct. 11. There will be at least one (and probably more than one) transitional change before Congress will set itself to enactment of a full peace-time measure. We continue to hope that before much longer Congress, instead of itself for the 25th or 26th time since 1916 tackling the problem of revenue amendment, will create the impartial tribunal of experts, without the aid of which there is altogether too much historic evidence that there will result not tax reform but merely more (and not necessarily better) tinkering.

Tax Revision Pattern

As to the current pattern of tax revision, this may be said: The first "bite" is found in the Tax Adjustment Act of 1945 (enacted July 31, 1945). It is in great part a partial *reconversion* measure, in that it expedites making available to industry cash of which otherwise it would be deprived for one or more years. In addition, there is some excess profits tax decrease after 1945. The second "bite" is found in the pending bill now under Senate consideration; this seeks to encourage business activity and increase consumer purchasing power.

Here, in brief, are the provisions of the Tax Adjustment Act of 1945:

(1) The 10% post-war excess profits tax refund is changed into a direct credit or reduction. The effect is that on returns for taxable years beginning after Dec. 31, 1943, the excess profits tax is reduced from 95% to 85.5%. With respect to returns for such years filed before the credit could be taken, the unpaid tax liability is reduced correspondingly and may be deducted from instalments still due. If the tax has been paid in full, prompt refund is to be made.

(2) Post-war excess profits tax refund bonds, provided under prior laws, matured at various dates after peace. Now, bonds already issued for years beginning in 1943 or earlier are due, at the owner's option, on Jan. 1, 1946; if the tax (or tax deficiency) for such years was not paid before July 1, 1945, cash refund will be made.

(3) Congress refused taxpayers the right of setting up and taking as deductions during the war years reserves for inevitable post-war costs and expenses stemming out of operations during the war period. Instead, provision was made to carry back, for two years, operating losses and unused excess profits credits (and corresponding two-year carryovers). The Tax Adjustment Act precipitates the carryback provisions: *expected* carrybacks of operating losses and of unused excess profits credits, for years ending on or after Sept. 30, 1945, are now available to postpone the unpaid taxes of the *immediately* preceding year by the *entire* amount of tax reduction consequent upon such expected carrybacks. Relief with respect to carrybacks of operating losses is available to corporate and non-corporate taxpayers alike.

(4) To encourage corporate and non-corporate taxpayers to invest in "emergency facilities" necessary for the prosecution of the war, prior law permitted amortization deduction of the basis (usually cost) of such property during a 60-month period. If the facility was certified as no longer necessary before the expiration of the 60 months, prior taxes could be recomputed based on amortization over the shorter period. Shortening of the amortization period was also provided through presidential proclamation that the emergency was past. (Such proclamation was made on Sept. 29, 1945.) Recomputation and refund are provided in the Tax Adjustment Act within 90 days after filing of application for tentative adjustment.

The four foregoing provisions of the Tax Adjustment Act are the major ones which have as their express purpose the improvement of the taxpayer's cash status during the reconversion period following V-E Day. The advent of an early V-J Day made the provision even more necessary and helpful.

(5) Only one change in amount of tax—and that an indirect one—was included in the Tax Adjustment Act. For taxable years beginning on and after Jan. 1, 1946, the excess profits tax specific exemption is increased from $10,000 to $25,000, and for fiscal years beginning in 1945 and ending in 1946 a proportional increase is provided. This increased exemption is of some help, of course, especially to the smaller and to the new corporation.

Many a taxpayer was disappointed at the Tax Adjustment Act, for it provided no tax relief at all to non-corporate taxpayers. Now another amendatory Act is under consideration—the second transitional "bite" in the conversion of war taxes to peace taxes. Something over $5 billion of calendar year 1946 tax reduction is sought, divided not quite equally between corporate and non-corporate taxpayers; the corresponding 1947 reduction will be about $7 billion. This proposed reduction averages about a 10%-14% decrease from the war-time peak. This peak load must, let me say in passing, be at least halved in order even to approach a safe peace-time level. And as I say this I am very much alive to the fact that the first substantial tax cut proposal in 16 years is at the expense of national debt increase. Without the proposed slash, the 1946 deficit was estimated at about $30 billion; it now becomes about $35 billion.

Secretary Vinson, in his initial tax appearance before his one-time own Ways and Means Committee, presented the Treasury's first transitional tax reduction program. The House followed him, by and large, in the size of the reduction, but not in the means. The Senate will probably make radical changes. Briefly, here are the Vinson recommendations, the House action, and my own brief comments:

(1) Secretary Vinson recommended that the excess profits tax be repealed on Dec. 31, 1945. The net yield, at the present 85.5% rate, with the exemption at $25,000, and at expected 1946 profit levels, was estimated at $2,555,000,000. It was this amount of revenue that the Secretary was willing to forego.

The House bill fixed the termination date as Dec. 31, 1946, and for 1946 reduced the rate from 85.5% to 60% and the combined maximum normal and surtax rates from 40% to 36%. The estimated 1946 tax reduction was thereby reduced from $2.5 billion to $1.7 billion (and increased to $3.2 billion for 1947).

The Secretary's castigation of the excess profits tax as a peace-time measure should carry great weight with the Senate. *My guess* is that the Senate will lean toward Mr. Vinson's views, but whether this is so or not, the life of the excess profits tax is destined to be short. At any rate, Congress should provide that new corporations organized in 1945 and later should not be subject to the excess profits tax, a war measure.

(2) The Secretary advocated that the carrybacks of losses (available to all taxpayers) and of the corporate unused excess profits credits terminate at the end of 1946, because by that time the purpose of the remedial legislation will have been fulfilled.

The House bill, although it extends the excess profits tax to 1946, does not extend the carryback termination date beyond that year.

In equity, the present two-year carryback provision should not be shortened, but retained until its mission has been fulfilled. There was at least an implied commitment that the carrybacks would be available for two full years after the end of the war, in lieu of a needed provision for reserves for post-war expenses and losses. Reconversion, speedier than was expected, may make the full two-year period unnecessary except for relatively few taxpayers. As a peace-time measure, carrybacks are an administrative and fiscal monstrosity. The Treasury should not have to be apprehensive about its right to retain most of its tax collections; except under extraordinary war or other emergency conditions, such collections should not be subject to refundment because of *future* business losses. On the other hand, the operating loss carryover or carryforward provision should be extended to a minimum of four and a maximum of seven years, so that such losses at the start of a new business or those resulting from depression period conditions should offset future earnings. Treasury budgeting is impossible in the face of carrybacks of losses, but this is not so because of carryovers. It would be infinitely better, however, both for the Government and for the taxpayer, to recognize the use of accounting reserves in the determination of net income.

(3) The Secretary did not refer to the capital stock tax and the related declared-value excess profits tax. If these taxes have any informed defenders, I have still to meet them.

On its own initiative, the House approved its committee's action in voting to repeal, as of next July 1, the capital stock and the related declared-value excess profits tax. The estimated 1946 loss is only $180,000,000. If this repeal action is sustained, there will be eliminated from the Code an undignified and disgraceful tax penalty imposed on the taxpayer for failure to guess correctly the result of a future year's operations.

(4) The Secretary recommended for individuals repeal of the present 3% normal tax, which would free from income tax about 12,000,000 taxpayers. He estimated revenue cost at $2,085 millions.

The House rejected elimination

(Continued on page 1832)

This is under no circumstances to be construed as an offering of these Securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such Securities. The offer is made only by means of the Prospectus.

The Cincinnati Gas & Electric Company

$45,500,000

First Mortgage Bonds, 2¾% Series Due 1975

Dated October 1, 1945 *Due October 1, 1975*

Interest payable April 1 and October 1 in New York City.

Price 101% and Accrued Interest

270,000 Shares

Cumulative Preferred Stock, 4% Series

(Par Value $100 per Share)

These shares are being offered by the Company to holders of its presently outstanding 400,000 shares of Cumulative 5% Preferred Stock, Series A, pursuant to the Exchange Offer and to the provisions thereof as to allotment, all as set forth in the Prospectus. Any shares not issued under such Exchange Offer, which expires October 24, 1945, will be purchased by the several Underwriters.

Copies of the Prospectus may be obtained from only such of the undersigned as may legally offer these Securities in compliance with the securities laws of the respective States.

MORGAN STANLEY & CO.
W. E. HUTTON & CO.
GLORE, FORGAN & CO.
GOLDMAN, SACHS & CO.
HARRIMAN RIPLEY & CO. Incorporated
KIDDER, PEABODY & CO.
SMITH, BARNEY & CO.
STONE & WEBSTER AND BLODGET Incorporated
UNION SECURITIES CORPORATION
HEMPHILL, NOYES & CO.
MERRILL LYNCH, PIERCE, FENNER & BEANE
F. S. MOSELEY & CO.
PAINE, WEBBER, JACKSON & CURTIS
SHIELDS & COMPANY
CLARK, DODGE & CO.
DOMINICK & DOMINICK
DREXEL & CO.
HARRIS, HALL & COMPANY (Incorporated)
THE WISCONSIN COMPANY

October 18, 1945.

Federal Tax Revision—Its Scope and Pattern

(Continued from page 1831)

of the normal tax and substituted extension of the present $500 surtax exemptions to the normal tax, thus freeing about the same number of taxpayers as under the Vinson recommendation, and, in addition, benefiting all individual taxpayers. Further, the House reduced the surtax rates by from 4 to 9.5 percentage points in each bracket, so as to provide an over-all minimum income tax reduction of 10% for all individual taxpayers. The present 90% limitation was reduced to 81% of the taxpayer's net income. The estimated reduction is $2,627 million, about $540 million more than the Secretary proposed.

Pay-as-you-go withholding will, of course, have to be modified as of next Jan. 1.

(5) The Secretary recommended fixing next July 1 as the date on which war-time increases in excise taxes terminate. The House concurred in the Secretary's recommendation, and provided refund of "floor taxes" on distilled spirits, wines and fermented malt liquors and on stocks of electric light bulbs, at a 1946 estimated cost of $160 million. The excise tax savings to taxpayers during the remainder of 1946 is estimated at about $540 millions. It should be observed that the effect of the recommendation is merely to fix a date certain for rate reduction already in the law.

(6) Pending congressional decision on the whole question of social security and its financing, the Secretary recommended further freezing of the present 1% rate on employer and employee for old-age and survivorship contributions.

The House concurred in the Secretary's recommendation.

(7) On its own initiative, the House repealed the $5 automobile and boat use tax after next June 30. The 1946 loss is estimated at $140 millions.

(8) In effect, the House approved the Secretary's recommendation that all tax reductions be prospective. He argued that reductions for the future were of maximum incentive value. Nobody could disagree.

The next "bite" or "bites" will probably seek to eliminate some of the many "rough spots" in existing law and undoubtedly further reduce corporate and non-corporate rates. The Senate may vote some reductions at once.

Tax Reform

Among the "rough spots" (other than ponderous and involved language and endless cross-references) which cry for eradication or correction in the next "bite" or "bites" at current tax revision, pending real tax reform, are:

(1) Taxation of inter-company dividends.

(2) 2% penalty for the privilege of filing consolidated returns.

(3) Existing double taxation of corporate profits is indefensible and should be remedied in one of a number of available ways.

(4) The treatment of capital gains and losses, especially losses.

(5) Exemption of corporations which are really business enterprises.

(6) Integration of the gift tax and the estate tax.

Probably the most crying need is for radical revision of the concept of "taxable net income." Specific statutory provisions, administrative interpretations and judicial decisions have produced, over the years, disconcerting and arbitrary distinctions between "net income" determined by the consistent application of accepted accounting principles and constantly changing "taxable net income." In the long run the Treasury has not benefited from these distinctions, many of them ill-advised and inexcusable. The result is two types of bookkeeping: business and tax, with the need of annual reconciliation. The gap becomes ever more erratic and illogical. A major surgical operation is indicated, and the sooner the better. Tax reform rather than tax revision can produce the remedy.

While officials speak of the need of "thoroughgoing" and "far-reaching" and "basic revision" of our revenue laws, real tax reform, as I have already said, is probably possible only through the cooperative effort of a commission consisting of legislators, administrators, economists, accountants, attorneys and others versed in the science and practice and administration of taxation. The results of true tax reform will be a balanced budget, because of mandatory provision that the inescapable relationship between expenditures and revenue be respected; the burden will be apportioned equitably among the several groups of taxpayers; fiscal policy and revenue will be integrated; the relationship among tax-levying authorities will have been explored and mutually determined; the statute will be stable, and changing revenue needs will be met by changes in rates fixed at the beginning rather than near or after the close of the tax year; Congress will be spared recurring need for protracted consideration of annual or more frequent tax tinkering proposals, while business and industry will be freed from worry about uncertain and threatening retroactive tax changes. The promise held forth by tax reform is so alluring that one wonders how soon the Tax Commission will be created and put to work. Only through the type of tax commission such as I have described can we look forward to a sane and civilized taxing statute. Its creation is the final step in the pattern of tax revision—a consummation devoutly to be wished. When it comes we shall recognize it for what it is: a measure which provides needed revenue for essential expenditures; one which distributes the burden fairly and equitably; a system of taxation which, while it does not attempt the impossible task of acting as a business incentive—taxation's role is not that—does *not* discourage either by the severity of its burden or by discrimination, business activity, industrial expansion, risk-taking and private investment.

Business Man's Bookshelf

Bank and Agent Auto Plan, The—A Manual on Operations for the Insurance Agent—National Association of Insurance Agents, 80 Maiden Lane, New York 7, N. Y.—paper—50¢.

Big Business In A Democracy—James Truslow Adams—Charles Scribner's Sons, 597 Fifth Avenus, New York City—cloth $2.75.

Britain Faces Its Housing Emergency—Preliminary Report of National Committee on Housing Mission to Great Britain—National Committee on Housing, Inc., 512 Fifth Avenue, New York 18, N. Y.—paper—25¢.

Dow Theory Barometer — A weekly service predicting future trends in the stock market—Four weeks' trial, $1—Gaylord Wood, Inland Building, Indianapolis, Ind.

Graphic Stocks—Comprehensive book of stock charts showing 900 up-to-date graphs covering virtually every active stock listed on the New York Stock and Curb Exchanges, with monthly highs and lows for 10 years, and earnings and dividends from 1936—Edited and published bi-monthly—Single copy (150 pages), $10; annual service, six revised issues, $50.

This advertisement is neither an offer to sell nor a solicitation of offers to buy any of these securities.
The offering is made only by the Prospectus.

NEW ISSUE October 18, 1945

$49,000,000

Pacific Gas and Electric Company

First and Refunding Mortgage Bonds

Series N, 3%, due December 1, 1977

Dated June 1, 1945 Due December 1, 1977

Price 105.30% and accrued interest

Copies of the Prospectus may be obtained from such of the several underwriters, including the undersigned, as are registered dealers in securities in this State.

The First Boston Corporation

Bear, Stearns & Co. Dick & Merle-Smith Equitable Securities Corporation
W. C. Langley & Co. Phelps, Fenn & Co. Wertheim & Co.
Drexel & Co. R. W. Pressprich & Co. Clark, Dodge & Co. Coffin & Burr Incorporated
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First of Michigan Corporation Hannahs, Ballin & Lee New York Hanseatic Corporation
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E. F. Hutton & Company Laird, Bissell & Meeds Moore, Leonard & Lynch
Starkweather & Co. Swiss American Corporation Amott, Baker & Co. Incorporated
Boettcher and Company R. H. Johnson & Co. A. M. Kidder & Co.

Merchants' Guild of Copenhagen

By RUDOLPH SCHMIDT

Chairman, Merchants' Guild of Copenhagen

President, Danish Committee of the International Chamber of Commerce

Prominent Danish Merchant Describes the Development, Functions and Statutory Powers of the Oldest Existing Exchange, Which Counts More Than 7,000 Members. Explains Guild's Activities, Particularly in Assisting the Danish Government in Negotiating Trade Agreements and Points Out Task in Reviving International Trade. Says U. S. Can Play Leading Role in Promoting Foreign Trade by Lowering Tariffs and by Upholding the Most Favored Nation Principle in Treaties.

Rudolph Schmidt

The Exchange of Copenhagen—the meeting place of the Merchants' Guild and its Committee—is not only one of the oldest and most impressive buildings of Copenhagen, it is, moreover, the oldest exchange building still in use of Europe, and its exterior is practically the same as at the time it was built more than 300 years ago.

The Merchants' Guild in Copenhagen, which is the owner of this building, was established in 1742 under the presidency of a Chairman and two Elders. In 1817 the management was reconstructed to the effect that a Committee of 13, viz. a Chairman and 12 members, replaced the previous presidency. In 1914 the number of members of the Committee was increased to 17; these members are all elected by a bare majority at the annual general meeting of the Merchants' Guild, which is held on the last Thursday of March, and every three years 3 members alternately go to the poll. On the same occasion the general meeting elects 11 members for the so-called Board, which consists of 444 members of the Guild, and which may be considered the connecting link between the Committee and the numerous members of the Guild. The Board was, however, not established till 1931.

Today the Merchants' Guild counts more than 7,000 members, and the executive power is vested in the abovementioned Committee. All wholesalers in Copenhagen are compulsory members of the Merchants' Guild as laid down by the Trade Regulation Act of 1931 now in force.

Even if the Merchants' Guild and its Committee are very old institutions it must be maintained that it is not only statutory powers which have given the Committee its viability and influence. According to Danish law it is, indeed, vested with certain tasks and rights, but the way in which it has exercised these powers and in other ways displayed initiative and activity for the benefit of Commerce in Denmark is accounted for not by the statutory support, which it has enjoyed throughout the years, but to a fairly greater extent by the wide scope of its work and the activity it has displayed.

Statutory Powers

Among the most important statutory powers of the Committee is the obligation to pronounce opinions, that is to give declarations as to what must be looked upon as usages of trade or good commercial customs, when information to this effect is requested by public authorities or private individuals. It was not until the formation of the Committee in 1817 that this obligation was imposed by statute, but without being based upon any statutory power it dates back as far as the middle of the 18th century, and thus the organizations of the commercial class in Copenhagen have given declarations regarding usages of trade, which to a great extent have formed the basis of Danish commercial law and thus of the numerous acts of our time in this field.

During the same great span of time the Presidency and later on the Committee has been and still is a consultative body for the government departments in connection with the treatment of consular questions, partly at the establishment of new consular posts, partly at the filling up of vacant posts. This is, however, only one of the consultative tasks of the Committee; the Committee holds numerous others, and it may be said that especially during the last 30 years or so it has had a very active intercourse with the Ministry of Trade and the Ministry for Foreign Affairs, and also with a number of other public authorities concerning all questions regarding commerce, customs duties, taxes, ports, mail, telegraph, and transport, partly at the instance of the authorities dealing with these questions partly on its own initiative or upon requests of the various trades, which are on a large scale organized in special trade associations, or of the individual members of the Guild.

One of the tasks involving a particularly great amount of work for the Committee is that of procuring information with a view to negotiations regarding the various trade agreements with foreign countries and the participation in these negotiations.

This work has grown to considerable dimensions after international trade and commerce in consequence of the economic world crisis of 1929-30 and the ensuing rearmament in Germany had enthroned the idea of self-sufficiency and—at a later time—the bilateral clearing agreements with their thoroughly specified items. Both these tendencies have contributed highly to impede the natural growth of international trade which was experienced after all crises previously, and especially as regards the bilateral clearing agreements it can be said that the extent of trade is determined by the party having the smallest export possibilities at its disposal. The years of the world war have, indeed, together with the radical political encroachments proved how international trade—as far as nearly all European countries are concerned—has gradually been reduced to a minimum. For the men of the wholesale trade as advocates of the greatest possible international trade these years have, therefore, been marked by enormous difficulties, while at the same time they have caused considerable reductions of the living standard of the population at large.

The Post-War Task

The task which now arises after the end of the war must, therefore be as soon as possible to get rid of the coercive measures to which international trade has been subject during the last 10 to 15 years. To those circles which believe in the importance of international trade for an increased living standard and for the protection of the individual citizen's freedom to buy what and where he chooses it is a vital question which economic policy will be advocated by an immense country as the United States. No other single country can master the task of giving rise to a turn of the tide in world trade politics because by virtue of their enormous possibilities of production and immense economic and financial resources the United States have the best prospects of going in efficiently for the principles which in former times both extended and secured international division of labor. To these principles belong first and foremost exemption from customs duties or at any rate moderate tariffs and the acknowledgment of the most-favored principle to the greatest possible extent, so that in this way the international freedom of action for both commerce and shipping can be guaranteed. It is, however, a condition in order that a step in this direction may be able to result in the effects aimed at, that the great financial problems caused for a number of countries by the world war are solved at the same time.

It is my hope that the American people will realize its world-economic mission in the time to come so that this realization will pave the road for a fairly quick development of world trade for an improvement of the living standard and a guarantee of the feeling of solidarity between the numerous different nations.

Heads Memphis Branch of St. Louis Reserve Bank

Wm. H. Glasgow, Managing Director of the Memphis Branch of the Federal Reserve Bank of St. Louis, will retire on Dec. 31, under provisions of the Federal Reserve Retirement System. Mr. Glasgow entered the employ of the parent bank in St. Louis on Dec. 14, 1914, shortly after it opened. He was elected an Assistant Cashier in 1919, supervising the Credit Department. He has served as Managing Director of the branch since March 1, 1926. To succeed Mr. Glasgow, the Board of Directors of the bank on Oct. 11 elected William B. Pollard as Managing Director of the Memphis Branch, effective Jan. 1, next. Mr. Pollard began his business career with the First National Bank, Hattiesburg, Miss., and subsequently was employed by the Capital National Bank, Jackson, Miss. Following his discharge from the Army in December, 1918, he became office manager of a lumber manufacturing company in Pearl River County, Miss., and later engaged in the drug business at Ackerman. In 1927 he joined the State Banking Department of Mississippi as an Examiner, with headquarters at New Albany. In 1933 he became an Assistant Examiner for the Board of Governors of the Federal Reserve System, was promoted to Examiner in 1934, and has been Assistant Director of its Division of Examinations since 1942.

$25,982,000

The New York Connecting Railroad Company

First Mortgage 2⅞% Bonds, Series B

Dated October 1, 1945 Due October 1, 1975

The Series B Bonds are guaranteed unconditionally as to principal, interest and sinking fund payments, by agreement and by endorsement, jointly and severally by The Pennsylvania Railroad Company and by the Trustees of the property of The New York, New Haven and Hartford Railroad Company.

The issue, guaranty and sale of the Bonds are subject to authorization of the Interstate Commerce Commission, and the guaranty of the Bonds by the New Haven Trustees is subject to authorization by the District Court of the United States for the District of Connecticut.

In the opinion of Counsel, the Series B Bonds will be legal investments for savings banks under the laws of the States of California, Maine, New Hampshire, New Jersey, New York, Ohio and Rhode Island, and for savings banks organized under the general laws of Pennsylvania.

Price 100% and accrued interest

The Offering Circular may be obtained in any State in which this announcement is circulated from only such of the undersigned and other dealers as may lawfully offer these securities in such State.

HALSEY, STUART & CO. INC.

BEAR, STEARNS & CO.
BLAIR & CO., INC.
EQUITABLE SECURITIES CORPORATION
HARRIS, HALL & COMPANY (INCORPORATED)
OTIS & CO. (INCORPORATED)
L. F. ROTHSCHILD & CO.
SCHOELLKOPF, HUTTON & POMEROY, INC.
WERTHEIM & CO.
BURR & COMPANY, INC.
HALLGARTEN & CO.
GREGORY & SON INCORPORATED
HAYDEN, STONE & CO.
PAINE, WEBBER, JACKSON & CURTIS
AUCHINCLOSS, PARKER & REDPATH
IRA HAUPT & CO.
MULLANEY, ROSS & COMPANY
E. M. NEWTON & COMPANY
F. S. YANTIS & CO. INCORPORATED

These Bonds are offered, when as and if issued, subject to acceptance by the Underwriters, to approval of Counsel, to prior sale and to withdrawal, cancellation or modification of the offer without notice. It is expected that Bonds in temporary form will be ready for delivery at the office of Halsey, Stuart & Co. Inc., 35 Wall Street, New York 5, N. Y. on or about October 30, 1945.

October 16, 1945

Text of the Bank of England Nationalization Bill

The "Chronicle" has received by special arrangement the text of the measure introduced in the British Parliament on Oct. 10 to nationalize the Bank of England. The bill was presented by Hugh Dalton, the Chancellor of the Exchequer, supported by the Prime Minister, Clement L. Attlee, and by Herbert Morrison and Glenville Hall.

The text of the Explanatory and Financial Memorandum which accompanied the Bill, together with the Bill itself and the Schedules, follow:

BANK OF ENGLAND BILL

EXPLANATORY AND FINANCIAL MEMORANDUM

1. The main purpose of this Bill is to provide—

(1) for the transfer of the existing capital stock of the Bank of England to a nominee of the Treasury (clause 1 (1) (a));

(2) for the appointment by His Majesty of the Governor, Deputy Governor and directors of the Bank (called "the court of directors") (clause 2);

(3) for enabling the Treasury, after consultation with the Governor, to give directions to the Bank, but subject to such directions, for entrusting the management of the Bank to the court of directors (clause 4 (1) and (2));

(4) for enabling the Bank of England to request information from and to make recommendations to bankers and, if so authorized by the Treasury, to issue directions to any banker for the purpose of giving effect to any such request or recommendation (clause 4 (3)).

2. Clause 3 contains consequential provisions for the alteration of the constitution of the Bank, and of its charters and the Acts relating to it.

3. Under subsections (1) (b) and (2) of clause 1 the holders of Bank stock will receive in exchange a 3% Government stock. The amount of Government stock to be issued to any holder will be such that the annual interest is equal to the average annual gross dividend declared during the period of 20 years ending on 31st March 1945. The amount of the capital stock of the Bank now outstanding is £14,553,000. The average annual gross dividend declared on Bank stock during those 20 years was 12%. On the basis laid down in the Bill the nominal amount of Government stock to be issued in exchange for Bank stock will be £58,212,000.

4. The Government stock may be redeemed at par on or at any time after 5th April 1966, but, subject to such redemption, will be perpetual [clause 1 (3)]; the Treasury may borrow for the purpose of the redemption (Sched. I, para. 12). The principal of and interest on the Government stock and the expenses of its issue, management and redemption, will be charged on the Consolidated Fund (Schedule I, paras. 1 and 2).

5. Under clause 1 (4) the Bank will pay to the Treasury each half year, in lieu of dividends on Bank stock, the sum of £873,180 or such less or greater sum as may be agreed. The sum named represents a half year's interest at the rate of 3% per annum on the amount of Government stock to be issued; it will be applied to the payment of any interest which would otherwise have fallen to be paid out of the permanent annual charge for the Nation Debt (Schedule I, para. 13).

A
BILL
to

Bring the capital stock of the Bank of England into public ownership and bring the Bank under public control, to make provision with respect to the relations between the Treasury, the Bank of England and other banks and for purposes connected with the matters aforesaid.

Be it enacted by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:

1—(1) On the appointed day—

(a) the whole of the existing capital stock of the Bank (hereinafter referred to as "Bank stock") shall, by virtue of this section, be transferred, free of all trusts, liabilities and incumbrances, to such person as the Treasury may by order nominate, to be held by that person on behalf of the Treasury;

(b) the Treasury shall issue, to the person who immediately before the appointed day is registered in the books of the Bank as the holder of any Bank stock, the equivalent amount of stock created by the Treasury for the purpose (hereinafter referred to as the "Government stock").

(2.) The Government stock shall bear interest at the rate of three per cent. per annum; and the equivalent amount of Government stock shall, in relation to any person, be taken to be such that the sum payable annually by way of interest thereon is equal to the average annual gross dividend declared during the period of twenty years immediately preceding the thirty-first day of March, nineteen hundred and forty-five, upon the amount of Bank stock of which that person was the registered holder immediately before the appointed day.

(3) The Government stock may be redeemed at par by the Treasury on or at any time after the fifth day of April, 1966, after giving not less than three months' notice in the London Gazette of their intention to do so.

(4) After the appointed day, no dividends on Bank stock shall be declared but in lieu of any such dividends the Bank shall pay to the Treasury, on every fifth day of April and of October, the sum of £873,180, or such less or greater sum as may from time to time be agreed upon between the Treasury and the Bank.

(5) The incidental and supplemental provisions set out in the First Schedule to this Act shall have effect with respect to the Government stock and to the sums payable to the Treasury under the last foregoing subsection.

2—(1) On the appointed day, all persons who are, immediately before that day, holding office as Governor, Deputy Governor or director of the Bank shall vacate their office, and on and after that day there shall be a Governor, a Deputy Governor and 16 directors of the Bank, who shall be the court of directors.

(2) The Governor, Deputy Governor and other members of the court of directors shall be appointed by His Majesty.

(3) The provisions of the Second Schedule to this Act shall have effect as respects the tenure of office, qualifications and employment of members of the court of directors and meetings of the court.

3—(1) So much of any enactment as limits the duration of the Bank as a body corporate shall cease to have effect.

(2) As from the appointed day every member of the court of directors of the Bank shall be a member of the said body corporate, notwithstanding that he holds no Bank stock, and accordingly the members of the said body shall be the members for the time being of that court together with the person who for the time being holds the Bank stock on behalf of the Treasury.

(3) As from the appointed day His Majesty may revoke the charters of the Bank except in so far as they incorporate the Bank, and thereafter, subject to the provisions of this Act, the Bank shall be constituted and regulated in accordance with such charters as may from time to time be granted by His Majesty and accepted on behalf of the Bank by the court of directors.

(4) The enactments set out in the Third Schedule to this Act are hereby repealed as from the appointed day to the extent specified in the third column of that Schedule.

4—(1) The Treasury may from time to time give such directions to the Bank as, after consultation with the Governor of the Bank, they think necessary in the public interest.

(2) Subject to any such directions, the affairs of the Bank shall be managed by the court of directors in accordance with such provisions (if any) in that behalf as may be contained in any charter of the Bank for the time being in force and any byelaws made thereunder.

(3) The Bank may, if they think it necessary in the public interest, request information from and make recommendations to bankers, and may, if so authorized by the Treasury, issue directions to any banker for the purpose of securing that effect is given to any such request or recommendation.

(4) In this section the expression "banker" means any such person carrying on a banking undertaking as may be declared by order of the Treasury to be a banker for the purposes of this section.

(5) Any order made under the last foregoing subsection may be varied or revoked by a subsequent order.

(6) This section shall come into operation on the appointed day.

5—For the purposes of this Act—

(a) the expression "the Bank" means the Bank of England;

(b) the appointed day shall be such day as the Treasury may by order appoint, not being later than three months from the date of the passing of this Act.

6—This Act may be cited as the Bank of England Act, 1945.

SCHEDULES

First Schedule

Incidental and Supplemental Provisions as to the Government Stocks and Sums Payable by the Bank of the Treasury

1. *The principal of and interest on the Government stock, and any expenses incurred in connection with the issue or redemption thereof, shall be charged on and issued out of the Consolidated Fund of the United Kingdom or the growing produce thereof (hereafter in this Schedule referred to as "the Consolidated Fund").*

2. *There shall be paid to the Bank and the Bank of Ireland out of the Consolidated Fund such sums in respect of the management in any financial year of the Government stock as may be agreed upon between the Treasury and those Banks respectively.*

3. The interest on the Government stock shall be payable on the fifth day of April and the fifth day of October in each year.

4. A full half year's interest on the Government stock shall be payable on whichever of the dates mentioned in the last foregoing paragraph occurs first after the appointed day, and shall be deemed to have accrued from day to day during the six months preceding that date.

5. The interest on the Government stock shall be paid out of the permanent annual charge for the National Debt.

6. Section 47 of the Finance Act, 1942 (which empowers the Treasury to make regulations as respects the transfer and registration of stock and registered bonds of the descriptions specified in Part I of the Eleventh Schedule to that Act), and any regulations made thereunder which are in force immediately before the appointed day, shall have effect as if the Government stock were included among the stocks mentioned in the said Part I and among the stocks to which the said regulations apply.

7. Where immediately before the appointed day any dead person is registered in the books of the Bank as the holder or one of the joint holders of any Bank stock, any Government stock purporting to be issued to him, or to him and the other joint holders, shall be deemed to be duly issued to his personal representatives, or to the survivors or the personal representatives of the last survivor of the joint holders, as the case may be; and, in the case of administrators, as well as in the case of executors, this paragraph shall have effect notwithstanding that there is no grant of representation to them until after the appointed day.

8. The Government stock issued in substitution for any Bank stock shall be held in the same rights and on the same trusts and subject to the same powers, privileges, provisions, charges, restraints and liabilities as those in, on or subject to which the Bank stock was held immediately before the appointed day, and so as to give effect to and not revoke any deed, will, order, mandate, notice or other instrument or testamentary or other disposition disposing of or affecting the Bank stock. and every such instrument or disposition shall take effect with reference to the whole or a proportionate part, as the case may be, of the substituted Government stock.

9. Trustees, executors and all other holders in any representative or fiduciary capacity of any Bank stock may hold. dispose of or otherwise deal with the Government stock issued in substitution therefor in all respects as they might have held. disposed of or otherwise dealt with the Bank stock.

10 Paragraphs 3, 4 and 5 of the Second Schedule to the National Loans Act, 1939 (which applies certain enactments to securities issued under that Act), shall have effect as if references to securities issued under that Act included references to the Government stock.

11. The Government stock shall be subject to the provisions of the National Debt Act, 1870, so far as is consistent with the tenor of this Act.

12. *The Treasury may, for the purpose of providing any sums required by them in order to redeem the Government stock in accordance with section one of this Act, raise money in any manner in which they are authorized to raise money under the National Loans Act, 1939, and any securities created and issued to raise money under this paragraph shall be deemed for all purposes to have been created and issued under that Act.*

13. *The sums paid by the Bank to the Treasury in lieu of dividends on Bank stock shall be paid into the Exchequer, and issued out of the Consolidated Fund at such times as the Treasury may direct, and applied by the Treasury to the payment of any interest which would apart from this paragraph have fallen to be paid out of the permanent annual charge for the National Debt.*

14. In charging the profits and gains of the Bank for the purposes of income tax for any year of assessment, the sums paid by the Bank as aforesaid in that year shall be allowed as a deduction.

THIRD SCHEDULE

ENACTMENTS REPEALED

Session and Chapter	Short title	Extent of repeal
5 & 6 W. & M. c. 20.	The Bank of England Act, 1694.	Section twenty-five.
8 & 9 Will. 3. c. 20.	The Bank of England Act, 1696.	Sections thirty, thirty-two, forty-five and forty-nine.
7 Ann. c. 30	The Bank of England Act, 1708.	Sections sixty, sixty-one, seventy and seventy-seven.
8 Ann. c. 1	The Bank of England Act, 1709.	The whole Act.
3 Geo. 1. c. 8	The Bank of England Act, 1716.	Section thirty-eight.
15 Geo. 2. c. 13	The Bank of England Act, 1741.	In section eight, the words from "disabled" to "Parliament, or be".
39 & 40 Geo. 3. c. 28.	The Bank of England Act, 1800.	In section thirteen the words from "and also subject" to the end of the section; in section fifteen, the words from "subject to redemption" to "and not otherwise"; section sixteen.
3 & 4 Will. 4. c. 98.	The Bank of England Act, 1833.	In section one the words from "for the period" to the end of the section; in section fourteen the words from "subject nevertheless" to the end of the section.
7 & 8 Vict. c. 32.	The Bank Charter Act, 1844.	Section twenty-seven except in so far as it authorises the redemption of the debt due from the public to the Bank of England.
33 & 34 Vict. c. 71.	The National Debt Act, 1870.	Section seventy-two.
55 & 56 Vict. c. 48	The Bank Act, 1892	Subsection (1) of section seven.

(Continued on page 1840)

British-Finnish Debt Payment Agreement

Memorandum Provides for Liquidation of Indebtedness Between United Kingdom and Finland.

On Aug. 2, an agreement was concluded between the British Government and Finland designed to facilitate payments and the liquation of indebtedness between the two countries. Unlike other similar agreements that Great Britain has drawn up with Scandinavian countries, this one does not provide for fixing the exchange rate between the currencies of the two countries. It applies merely to the procedure to be followed in settling indebtedness which has resulted from the application of the British laws regarding enemy property and trading with the enemy.

The text of the Agreement follows:

Memorandum of Agreement

Article 1

The United Kingdom authorities will relax the effect of the Trading with the Enemy legislation in force in the United Kingdom so as to permit of the resumption of private trading and financial transactions between the United Kingdom and Finland. Moneys becoming payable to Finland in respect of such transactions will not be payable to the United Kingdom Custodian.

Article 2

Sums payable from persons resident in the sterling area to persons resident in Finland may be credited to a sterling account (hereinafter referred to as a "Finnish account") in the name of a resident in Finland with a bank in the United Kingdom, provided that permission has been obtained where required under the exchange control regulations in force in the sterling area territory concerned.

Article 3

The balances on Finnish accounts will be available for payments in the sterling area and for transfers to other Finnish accounts in accordance with the terms of this memorandum of agreement and with the regulations in force in the United Kingdom from time to time.

Article 4

Finland's Bank as agent of the Finnish authorities will, on the basis of the official rates published in Finland for the purchase and sale of sterling against Finnish marks,—

(i) buy sterling offered to them from Finnish accounts;

(ii) sell such sterling at their disposal as may be required of them for all payments which residents of Finland, under the exchange control regulations in force in Finland, are permitted to make to residents of the sterling area.

Article 5

The United Kingdom and Finnish authorities will make every endeavor within the framework of the exchange control regulations in force in the United Kingdom and Finland, and subject to their respective policies in respect of the control of capital transactions, to avoid all delay and restriction on the transfer of current debts between residents of the United Kingdom and residents of Finland.

Article 6

Any sterling held by Finland's Bank shall be invested only as may be agreed with the Bank of England.

Article 7

(1) Finland's Bank, acting as agent of the Finnish authorities, will open a Finnish account in their name with the Bank of England, to be designated "Finland's Bank 'B' Account" (hereinafter referred to as "the B account"), for the purposes set out in Article 8 of this memorandum.

(2) 12½% of all moneys due from United Kingdom Government Departments in respect of commercial transactions to the Finnish Government, the Finnish authorities, or persons resident or carrying on business in Finland, shall be credited to the B account. The balance of such moneys shall be credited to the Finnish account opened by Finland's Bank with the Bank of England which is designated as "Finland's Bank 'A' Account."

(3) Finland's Bank will undertake to ensure payment to the Finnish creditors in respect of all sterling sums credited under this Article to Finland's Bank 'A' Account and to the B account.

Article 8

(1) The use of the sterling sums standing in the B account shall be restricted to making payments in respect of:—

(a) all sums due and payable at the date of the coming into force of this memorandum of agreement from the Government of Finland or persons in Finland to the Government of the United Kingdom or to persons resident or carrying on business in the United Kingdom or in any of the British Colonial dependencies, which would have been eligible for transfer under the Finnish exchange control regulations in force on Dec. 6, 1941. The sterling sums standing in the B account may also be made available for the transfer of such other classes of debts already due to the persons aforesaid as may be agreed between the United Kingdom and Finnish authorities.

(b) all sums due and payable at the date of the coming into force of this memorandum of agreement to persons wherever resident in respect of interest accrued and bonds due for redemption of the following loans, viz.:

The Government of the Republic of Finland 5% Loan, 1923;

The Municipal Mortgage Bank of Finland 5% Sterling Mortgage Bonds, 1927;

The Industrial Mortgage Bank of Finland Sterling Mortgage Bonds 6%, 1930;

City of Helsingfors 4% Sterling Loan, 1909;

City of Tammerfors 4½% Sterling Loan, 1910;

Osakeyhtio Waldhof Aktiebolag 7% First Mortgage Debenture Loan, 1929;

Osakeyhtio Waldhof Aktiebolag 5½% Second Mortgage Debenture Loan, 1934.

(c) other claims made by or on behalf of the Government of the United Kingdom or of any of the British colonial dependencies, payment of which it is agreed between the United Kingdom and Finnish authorities should be made through the B account.

(2) In the case of debts expressed in Finmarks, the Finmark sum due shall be transferred into sterling at the official rate published in Finland on the date when the debt fell due.

Article 9

(1) In cases where moneys have been paid to the Finnish authorities under Finnish Custodian legislation as payable to persons resident or carrying on business in the United Kingdom or in British colonial dependencies, the Finnish authorities will arrange for Finland's Bank to instruct the Bank of England to transfer to the Board of Trade out of the B account, for remittance to the creditor entitled to payment,—

(a) the sterling sum due, in the case of debts expressed in sterling, and

(b) the equivalent in sterling of the Finmark sum due, calculated in accordance with the provisions of Article 8(2) of this memorandum, in the case of debts expressed in Finmarks.

(2) The Finnish authorities will furnish the Board of Trade as soon as possible with a statement showing the moneys due to be paid under this Article, distinguishing in each case the amount due, the currency in which the obligation was expressed and the name and address of the debtor and creditor.

Article 10

(1) Sums of the kinds referred to in Article 8 which have not been paid to the Finnish authorities under Finnish Custodian legislation will unless otherwise agreed be settled, if possible, as between debtor and creditor and transfer effected through the 'B' account, except in the case of payments due in some currency other than sterling or Finmarks. With a view to facilitating such settlement:

(a) the Finnish authorities will remove whatever legal obstacles may exist in the way of establishment and enforcement in the Finnish courts of the claims of the creditors against their debtors, and will consider action for the removal of legal obstacles (including periods of limitation) arising from the war which may prevent an equitable settlement of outstanding indebtedness;

(b) if creditors are unable to trace and identify their debtors the Finnish authorities will assist as far as possible;

(c) Finland's Bank, on behalf of the debtor, will request the Bank of England to transfer sterling to the creditor in respect of the moneys referred to in this Article; in the case of debts expressed in Finmarks the sterling sums will be calculated in accordance with the terms of Article 8(2) of this memorandum;

(d) Finland's Bank will authorize the Bank of England to advise the Treasury monthly of receipts and payments on the B account.

(2) The Finnish authorities will inform the Board of Trade of the arrangements made in Finland for the settlement of these obligations and will keep them advised of any subsequent changes.

Article 11

(1) Finnish property situated in the United Kingdom will continue to be preserved to the fullest extent possible under the Board of Trade and Custodian regulations, and will be returned to the persons entitled as soon as possible after the conclusion of a Peace Treaty with Finland. In the meantime, the United Kingdom authorities will provide the Finnish authorities with all reasonable information about such property and will give full consideration to any view which the Finnish authorities may express about its administration.

(2) His Majesty's Treasury will direct the United Kingdom Custodians to pay or transfer to the Finnish Custodian moneys held by them which would, but for the war, have been payable to persons in Finland (other than moneys payable to British subjects). The Finnish authorities will direct the Finnish Custodian to pay the moneys so transferred into the B account. They will be used for the same purpose as the other moneys in the B account.

(3) The Finnish Custodian shall arrange for payment to be made, as soon as possible, to the Finnish creditors who, but for the war, would have been entitled to receive the moneys paid to the United Kingdom Custodians which have been transferred under the preceding sub-paragraph.

(4) The Board of Trade will furnish the Finnish Custodian with a statement in respect of such moneys, corresponding to the statement described in Article 9(2) above.

Article 12

In remitting to a creditor in the United Kingdom or Finland sums transferred under Article 9 or Article 11 of this memorandum, the authorities of each country will make payment in such terms as to indicate, on information received from the other, the amount for which the debtor in the other country has secured a legal discharge therein.

Article 13

Nothing in this memorandum of agreement shall prevent the United Kingdom and Finnish authorities, in cases which in their opinion justify this action, from agreeing to the return to the person by whom payment was made of moneys now held by the United Kingdom Custodians or b the Finnish authorities.

Article 14

Nothing in this memorandum o agreement shall be deemed to af fect the position of money an property under United Kingdon exchange control regulations o revenue law.

Article 15

The United Kingdom authorities undertake to ask any Governments of British colonial dependencies who may be concerne to make analogous arrangements

Article 16

For the purpose of this memorandum the expression "the sterling area" shall have the meanin from time to time assigned to i by the exchange control regulations in force in the United Kingdom. No change in the list o territories comprised in the sterling area shall have effect, fo the purposes of this memorandum until it has been communicated t Finland's Bank by the Bank o England. In the event of a substantial change in that list, the United Kingdom and Finnish authorities will examine the changes which might have to be made i the provisions of this memorandum.

Article 17

(1) The present memorandum of agreement will come into force on Aug. 17, 1945, and will remain in force until June 30, 1947.

(2) Not later than Dec. 31, 1946, the United Kingdom and Finnish authorities will review the provisions of the present memorandum with a view either to expediting the transfer of any of the sums referred to in Article 8 of this memorandum of agreement or to the final liquidation of the B account.

Article 18

A Finnish text of this memorandum of agreement shall be prepared and agreed between the Finnish authorities and the United Kingdom authorities. Thereafter the English and Finnish texts will be equally authentic.

London, Aug. 2, 1945.

This is under no circumstances to be construed as an offering of this Preferred Stock for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such Stock.
The offer is made only by means of the Prospectus.

60,000 Shares

Dresser Industries, Inc.

Preferred Stock (Cumulative), 3¾% Series
($100 Par Value—Convertible Prior to September 15, 1955)

Price $103 Per Share
(plus accrued dividends from September 15, 1945)

Copies of the Prospectus may be obtained from only such of the undersigned as may legally offer this Stock in compliance with the securities laws of the respective States.

Harriman Ripley & Co.
Incorporated
Reynolds & Co.
Glore, Forgan & Co.
Kidder, Peabody & Co.
Lazard Frères & Co.

October 16, 1945.

Excess Profits Taxes on 300 Stocks

(Compiled by the Economics & Investment Department of the National Securities & Research Corporation of New York City)

The figures in this table are based on the 95% excess profits tax (less 10% postwar refund) prevailing in 1944.

Name of Company—	1944 Earnings per Share	1944 Excess Profits Tax per Share
Aircraft—		
Aviation Corp.	[1]$0.54	$0.86
Beech Aircraft Corp.	[4]6.76	17.04
Bell Aircraft Corp.	8.01	24.74
Boeing Airplane Co.	4.86	24.76
Consolidated Vultee Aircraft Corp.	[1]8.80	34.64
Douglas Aircraft Co., Inc.	[1]12.81	38.55
Lockheed Aircraft Corp.	4.20	11.74
Martin (Glenn L.) Co.	4.37	41.03
North Amer. Av., Inc.	[4]2.44	9.99
Republic Aviation Corp.	2.86	13.28
Air Transport—		
Eastern Air Lines, Inc.	2.55	6.10
Pan-Am. Airways Corp.	0.81	0.01
Auto Parts—		
Bendix Aviation Corp.	7.22	27.20
Bohn Aluminum & Brass Corp.	6.21	16.85
Borg-Warner Corp.	3.42	11.57
Briggs Mfg. Co.	2.72	6.47
Briggs & Stratton Corp.	3.23	e5.78
Budd (Edw. G.) Mfg. Co.	0.65	3.78
Continental Motors Corp.	[2]1.95	5.06
Eaton Mfg. Co.	5.31	15.28
Electric Auto-Lite Co.	4.09	10.71
Electric Stor. Batt'y Co.	2.18	4.67
Kelsey-Hayes Wheel Co. Class B	[3]3.14	16.45
Noblitt-Sparks Ind., Inc.	4.66	11.11
Parker Rust-Proof Co.	[4]1.87	1.28
Smith (A. O.) Corp.	[5]12.85	56.16
Spicer Mfg. Co.	[3]6.55	28.65
Stand. Steel Spring Co.	1.02	7.01
Thermoid Co.	1.11	0.62
Timken-Det. Axle Co.	[6]4.95	12.93
Timken Roller Bear. Co.	2.60	2.81
Automobiles—		
Chrysler Corp.	5.70	5.38
Diamond T Mot. Car Co.	4.71	11.63
Fed. Motor Truck Co.	1.58	4.03
Fruehauf Trailer Co.	4.29	8.37
General Motors Corp.	3.68	3.59
Mack Trucks, Inc.	6.00	19.29
Nash Kelvinator Corp.	[4]0.71	1.03
Packard Motor Car Co.	0.27	1.20
Reo Motors, Inc.	4.16	10.31
Seagrave Corp.	0.74	0.26
Studebaker Corp.	1.74	5.39
White Motor Co.	3.38	10.30
Baking & Milling—		
Continental Baking Co.	0.95	1.46
General Baking Co.	0.70	1.15
General Mills, Inc.	[7]8.07	8.68
National Biscuit Co.	1.16	2.11
Purity Bakeries Corp.	2.69	2.27
United Biscuit Co. of America	3.10	8.21
Ward Baking Co. "B"	d2.31	2.44
Beverages & Confectionery—		
American Chicle Co.	6.50	4.76
Beech-Nut Packing Co.	5.59	10.90
Canada Dry Ginger Ale, Inc.	2.34	2.80
Coca-Cola Co.	5.65	3.29
Hershey Chocolate Corp.	6.08	8.70
Pepsi-Cola Co.	1.02	0.66
Wrigley (Wm.) Jr. Co.	3.15	0.92
Brewing & Distilling—		
Distillers Corp.-Seagrams, Ltd.	[5]6.12	6.29
National Distillers Prod-Corp.	4.31	8.97
Building—		
American Rad. & Stand. Sanitary Corp.	0.64	1.13
American Seating Co.	2.30	5.60
Bird & Son, Inc.	1.20	0.94
Carrier Corp.	[2]2.83	6.37
Celotex Corp.	[2]0.54	0.01
Certain-teed Products Corp.	0.38	0.17
Crane Co.	2.49	6.81
Flintkote Co.	1.38	2.58
Johns-Manville Corp.	6.39	4.94
Masonite Corp.	[3]1.69	3.15
Merritt-Chapman & Scott Corp.	1.13	4.66
Minneapolis - Honeywell Regulator Corp.	2.36	6.63
Otis Elevator Co.	1.10	4.31
Pittsburgh Plate Glass Co.	6.08	2.18
Pratt & Lambert, Inc.	2.28	3.12
Trane Company	1.51	2.78
U. S. Gypsum Co.	3.07	0.95
United Wallpaper, Inc.	[6]0.41	0.52
Walworth Co.	1.18	3.20
Yale & Towne Manufacturing Co.	2.99	9.13
Chemicals—		
Air Reduction Co., Inc.	2.15	2.75
Allied Chemical & Dye Corp.	8.14	4.20
American Agricultural Chemical Co.	[6]2.77	3.28
Atlas Powder Co.	5.29	9.03
Commercial Solvents Corp.	0.96	1.99
Dow Chemical Co.	[7]6.02	9.58
Hercules Powder Co.	3.26	7.23
Heyden Chemical Corp.	1.85	4.54
Monsanto Chemical Co.	3.30	6.69
Newport Industries, Inc.	0.84	0.56
United Carbon Co.	5.61	0.45
Coal—		
Consolidation Coal Co., Inc.	3.36	0.04
Eastern Gas & Fuel Associates	d0.28	0.98
Truax-Traer Coal Co.	[8]2.28	1.53
Containers—		
American Can Co.	4.30	1.42
Anchor Hocking Glass Corp.	2.49	6.06
Continental Can Co., Inc.	2.12	1.72
Crown Cork & Seal Co., Inc.	3.74	4.40
Hazel-Atlas Glass Co.	5.33	17.19
Owens-Illinois Glass Co.	3.06	4.21
Drugs & Cosmetics—		
Allied Laboratories, Inc.	1.42	1.35
American Home Products Corp.	4.74	2.31
Chesebrough Mfg. Co., Cons.	7.23	9.48
Coty, Inc.	0.63	0.83
Lehn & Fink Products Corp.	[6]1.76	0.45
Mead Johnson & Co.	10.26	13.80
Norwich Pharmacal Co.	0.89	0.94
Parke, Davis & Co.	1.55	0.97
Sharp & Dohme, Inc.	1.09	3.28
Sterling Drug. Inc.	4.54	1.06
United Drug, Inc.	1.62	5.52
Electrical Products—		
Black & Decker Mfg. Co.	[4]2.23	6.46
Chicago Flexible Shaft Co.	‡2.17	0.57
Cutler-Hammer, Inc.	2.66	7.90
General Electric Co.	1.76	2.05
Hazeltine Corp.	4.98	10.08
Line Material Co.	1.74	2.98
Master Electric Co.	2.05	6.57
Maytag Co.	0.27	0.16
McGraw Electric Co.	1.88	1.74
Philco Corp.	2.87	6.60
Radio Corp. of America	0.51	1.80
Square D Co.	4.36	9.29
Sylvania Elec. Products Co., Inc.	2.04	7.19
Westinghouse Electric Corp.	x2.03	5.28
Weston Electrical Instrument Corp.	3.18	10.22
Food Products—		
California Packing Corp.	[9]3.10	4.29
Corn Products Refining Co.	2.70	0.13
General Foods Corp.	2.14	1.49
Libby, McNeil & Libby	[10]0.87	0.91
Penick & Ford, Ltd., Inc.	3.50	3.62
Standard Brands, Inc.	2.59	2.83
Stokeley-Van Camp, Inc.	[12]2.87	0.50
Household Furnishings—		
Armstrong Cork Co.	2.84	3.89
Artloom Corp.	0.36	0.07
Mohawk Carpet Mills, Inc.	2.33	2.46
Simmons Co.	2.56	1.82
Leather & Shoes—		
Brown Shoe Co.	[2]3.19	8.13
Endicott, Johnson Corp.	[1]3.34	9.19
International Shoe Co.	[1]1.79	1.31
Kinney (G. R.) Co., Inc.	0.74	2.76
Machinery— Agricultural—		
International Harvester Co.	[2]4.61	3.60
Minneapolis-Moline Power Imp. Co.	[2]0.96	4.61
Machinery— Industrial—		
American Chain & Cable Co.	2.93	6.53
American Laundry Machinery Co.	2.00	0.08
American Machinery & Foundry Co.	1.00	0.71
Blaw-Knox Co.	1.63	6.85
Bucyrus-Erie Co.	1.25	5.14
Cooper-Bessemer Corp.	2.46	11.96
Dresser Industries, Inc.	*[2]2.44	6.38
Ex-Cell-O Corp.	[1]5.83	16.50
Fairbanks, Morse & Co.	4.75	21.41
Foster Wheeler Corp.	5.51	36.48
Gar Wood Industries, Inc.	[2]1.00	2.23
Ingersoll-Rand Co.	8.70	7.09
Pittsburgh Screw & Bolt Corp.	0.58	1.62
Superheater Co.	1.76	2.67
U. S. Hoffman Machinery Corp.	1.82	6.25
Worthington Pump & Machy. Corp.	8.42	46.09
Meat & Dairy Products—		
Beatrice Creamery Co.	[9]2.96	4.73
Carnation Co.	3.34	4.70
Cudahy Packing Co.	[2]5.59	15.93
National Dairy Products Corp.	2.13	4.20
Swift & Co.	[2]2.64	5.88
Metal Fabricating—		
Anaconda Wire & Cable Co.	2.90	7.25
Fansteel Metallurgical Corp.	2.22	7.46
Gorham Manufacturing Co.	3.77	6.40
International Silver Co.	12.08	47.17
Scovill Manufacturing Co.	2.00	11.87
Metals—Non-Ferrous		
Copper Range Co.	1.64	0.04
Granby Cons. Min. Sm. & Power Co., Ltd.	0.04	0.09
Kennecott Copper Corp.	3.59	1.73
Molybdenum Corp. of America	0.62	0.81
Phelps Dodge Corp.	2.49	2.57
Reynolds Metals Co.	2.71	7.58
St. Joseph Lead Co.	2.86	0.24
Miscellaneous—		
Bulova Watch Co., Inc.	[10]7.54	15.67
City Ice & Fuel Co.	2.06	4.37
Diamond Match Co.	1.63	4.25
Mengel Co.	1.72	3.50
Mullins Mfg. Corp. "B"	1.85	5.14
United States Plywood Corp.	*[8]1.86	5.67
Motion Pictures & Amusements—		
Columbia Pictures Corp.	[6]4.89	9.90
Eastman Kodak Co.	9.15	14.14
General Precision Equip. Corp.	1.94	3.67
Loew's Inc.	‡[3]2.90	0.96
Paramount Pictures, Inc.	3.93	5.48
Radio - Keith - Orpheum Corp.	1.57	1.22
Technicolor, Inc.	0.95	0.53
Twentieth Century-Fox Film Corp.	5.93	10.97
Office Equipment—		
Addressograph-Multigraph Corp.	[5]1.63	2.98
International Bus. Machines Corp.	8.90	19.90
Marchant Calculating Mach. Co.	2.74	4.40
National Cash Register Co.	2.03	1.92
Remington Rand, Inc.	[10]2.42	5.91
Underwood Corp.	3.07	4.29
Oils—		
American Republics Corp.	0.62	0.76
Lion Oil Co.	3.36	1.41
Pure Oil Co.	3.13	1.05
Skelly Oil Co.	7.36	4.08
Standard Oil of Cal.	3.34	0.23
Standard Oil of Indiana	3.87	0.75
Standary Oil of Ky.	1.16	1.35
Standard Oil (N. J.)	5.69	1.79
Standard Oil of Ohio	†2.83	0.90
Paper—		
Champion Paper & Fibre Co.	[8]2.04	8.38
Container Corp. of America	2.64	9.09
Crown Zellerbach Corp.	[8]1.97	1.20
Gair (Robt.) Co., Inc.	0.39	1.47
International Paper Co.	2.09	10.26
Kimberly-Clark Corp.	3.09	2.67
Mead Corporation	0.99	1.87
Union Bag & Paper Corp.	1.25	3.35
Printing & Publishing—		
American Type Founders, Inc.	[10]1.51	5.10
Cuneo Press, Inc.	3.12	1.13
Interchemical Corp.	2.44	0.46
Railroad Equipment—		
American Brake Shoe Co.	2.77	1.98
American Car and Foundry Co.	[8]7.19	2.55
American Locomotive Co.	4.58	13.91
American Steel Foundries	[4]3.36	6.71
Pressed Steel Car Co., Inc.	2.23	7.52
Pullman, Inc.	3.99	8.55
Union Tank Car Co.	2.18	8.88
Railroads—		
Atchison, Topeka & Santa Fe Ry. Co.	19.91	48.18
Chesapeake & Ohio Ry. Co.	3.57	3.06
Greyhound Corp.	3.68	12.83
New York Central Railroad Co.	5.55	5.41
Pennsylvania Railroad Co.	4.92	4.23
Southern Pacific Co.	9.73	14.99
Southern Railway Co.	14.84	35.29
Retail Trade—Variety		
Butler Bros.	1.01	2.29
Grant (W. T.) Co.	3.15	7.17
Green (H. L.) Co., Inc.	4.01	6.36
Kresge (S. S.) Co.	1.64	2.59
Kress (S. H.) & Co.	2.25	4.98
Kroger Grocery & Baking Co.	2.80	3.76
McCrory Stores Corp.	1.90	4.84
Shattuck (Frank G.) Co.	1.11	1.05
Woolworth (F. W.) Co.	2.35	1.46
Retail Trade—Dept. & Mail Order—		
Allied Stores Corp.	3.42	7.36
Associated Dry Goods Corp.	3.24	11.81
Gimbel Bros.	3.07	13.58
Marshall Field & Co.	1.60	6.73
May Dept. Stores Co., Inc.	*2.26	6.01
Penney (J. C.) Co.	6.25	11.51
Sears, Roebuck & Co.	5.86	8.90
Shipping & Shipbuilding—		
American Ship Building Co.	[6]3.86	7.08
Electric Boat Co.	2.75	7.62
Todd Shipyards Corp.	[10]10.78	37.67
Soap & Vegetable Oils—		
Bon Ami Co. "B"	3.01	0.32
Glidden Co.	[2]2.02	1.52
Procter & Gamble Co.	[11]2.95	0.06
Spencer Kellogg & Sons, Inc.	[4]3.54	9.77
Wesson Oil & Snowdrift Co., Inc.	[3]2.27	3.60
Steel & Iron		
Acme Steel Co.	‡2.06	4.90
Allegheny - Ludlum Steel Corp.	2.71	6.93
American Rolling Mill Co.	1.06	0.49
Bethlehem Steel Corp.	9.93	30.42
Carpenter Steel Co.	[6]3.44	13.76
Crucible Steel Co. of America	5.23	36.88
Harbison - Walker - Refractories Co.	1.18	0.43
Inland Steel Co.	6.28	7.10
Jones & Laughlin Steel Corp.	2.86	1.48
National Steel Corp.	4.87	4.66
Republic Steel Corp.	1.44	4.40
Rustless Iron & Steel Corp.	1.88	4.72
Wheeling Steel Corp.	4.51	3.85
Youngstown Sheet & Tube Co.	4.25	3.49
Sugar—		
American Crystal Sugar Co.	[10]1.00	1.59
Telephone & Telegraph—		
American Tel. & Tel. Co.	8.42	2.41
New England Tel. & Tel. Co.	6.30	2.11
Pacific Tel. & Tel. Co.	6.61	10.47
Textiles—		
Adams-Millis Corp.	3.69	5.88
American Viscose Corp.	2.28	6.00
Bond Stores, Inc.	4.12	8.99
Burlington Mills Corp.	[4]4.20	6.80
Celanese Corp. of America	2.87	4.96
Cluett, Peabody & Co., Inc.	2.51	1.54

Name of Company—	1944 Earnings per Share	1944 Excess Profits Tax per Share
Industrial Rayon Corp.	1.85	1.80
Kayser (Julius) & Co.	[6]3.16	2.40
Manhattan Shirt Co.	[1]2.51	2.72
Tubize Rayon Corp.	[6]1.22	3.78
United Merchants & Mfrs., Inc.	*3.72	6.63
Tires & Rubber—		
Firestone Tire & Rubber Co.	[2]7.34	13.41
General Tire & Rubber Co.	3.53	5.01
Lee Rubber & Tire Corp.	[2]5.38	11.71
Seiberling Rubber Co.	[2]1.34	3.63
Tobacco—		
American Tobacco Co.	3.73	1.83
Consolidated Cigar Corp.	4.04	8.83
Liggett & Myers Tobacco Co. "B"	4.25	2.47
Philip Morris & Co., Ltd., Inc.	*[10]2.97	1.10
Utilities—		
American Gas & Electric Co.	2.32	2.73
American Water Works & El. Co.	0.69	1.38
Arkansas Natural Gas Co.	0.29	0.11
Cities Service Co.	3.88	0.80
Commonwealth & Southern Corp.	0.07	0.46
Detroit Edison Co.	1.03	0.41
Engineers Public Service Co.	[11]3.16	2.53
Northern States Power Co. "A"	d1.17	16.81
Pacific Gas & Elec. Co.	2.18	2.03
Southern Calif. Edison Co., Ltd.	1.67	4.12

d - deficit; e - estimate; * Adjusted for 2 for 1 split; ‡ Adjusted for 3 for 1 split; x - Adjusted for 4 for 1 split; † Adjusted for 2½ for 1 split; 1 Year ending November, 1944; 2 Year ending October, 1944; 3 Year ending August, 1944; 4 Year ending September, 1944; 5 Year ending July, 1944; 6 Year ending June, 1944; 7 Year ending May, 1945; 8 Year ending April, 1945; 9 Year ending February, 1945; 10 Year ending March, 1945; 11 Year ending June, 1945; 12 Year ending May, 1944.

Inflation Control and Treasury's Borrowing Policy

(Continued from first page)

called that France greatly weakened her position during the war by heavy reliance upon the Bank of France and by a great increase in her bank note issue. She failed to pull up at the end of the war. In 1919 and 1920 the franc broke to low levels in the foreign exchanges. At the end of 1926 France made a *de facto* stabilization of the franc with a gold content of approximately 20% of the old par, and with commodity prices at 641% of 1913 prices.

With respect to most points we are now a great deal further along the road of inflation than France was at the end of the first world war.

(1) The relation of Government debt to national wealth is now worse with us. France ended the war with a national debt of 147,000,000,000 francs as against a prewar national wealth estimated at 300,000,000,000 gold francs. The debt at par was 49% of the national wealth. By 1926, when France pulled up, she had a public debt of 287,000,000,000 paper francs (internal), and 23,000,000,000 gold francs (external, including debts to United States and British Governments). (See *Chase Economic Bulletin*, February, 1927.) We had at the end of 1944, long before the war was over, a national debt of $230,000,000,000, as against a prewar national wealth not exceeding $387,000,000,000[1]. Our national debt Dec. 31, 1944, was thus 59.5% of the national wealth.

(2) The growth of money in circulation in the United States since 1939 is greater in percentage than the growth of money in circulation in France between June 1, 1914, and Aug. 29, 1918. France had about 9,000,000,000 francs in circulation, including about 3,000,000,000 francs of gold, on June 4, 1914. 2,000,000,000 francs of this gold was turned into the Bank of France in the three years that followed, and 1,000,000,000 francs of gold disappeared from circulation. By Aug. 29, 1918, French circulation, chiefly Bank of France notes, had risen roughly to 30,000,000,000 francs, an increase of 233%. This grew to 53,000,000,000 francs by June, 1926. In the United States money in circulation at the end of June, 1939, stood at $7,000,000,000, and it now stands at $26,000,000,000, an increase of 271%.

(3) The percentage of national debt carried by the banks is far greater with us than with France. On Dec. 31, 1917, the French public debt stood at 123,000,000,000 francs, of which 12,200,000,000, or almost exactly 10%, was held by the Bank of France. But the commercial banks in France took very little of the public debt. The great banks, The Credit Lyonnais, the Comptoir d'Escompte and the Societe Generale, were badly shaken when the war broke out, and taken together, by the spring of 1918, had made virtually no expansion in their balance sheets. To some extent they had substituted government paper for commercial bills in their portfolios, but the amount was small. The only commercial bank that really expanded greatly in France during the last war was a bank of second rank, the Banque Nationale de Credit, which expanded a few hundred millions of francs, lending both to the Government and to business. At the beginning of 1918 I shoud estimate that not more than 12% of the public debt was in French banks, including both Bank of France and commercial banks.[2]

In the United States, on the other hand, at the end of 1944, 42% of the whole interest bearing public debt was in the commercial banks and the Federal Reserve banks combined. Leaving out that part of the public debt held by Government agencies and trust funds, 46% of our interest bearing public debt was in the Federal Reserve banks and the commercial banks. Finally, looking only at the marketable public debt, and omitting that part held by Government agencies and trust funds, 58% was in the commercial banks and the Federal Reserve banks.

France had very little increase in demand deposits during the war and almost all was in the Bank of France itself, where there was an increase of about 2,712,000,000 francs between June 4, 1914, and Aug. 29, 1918. Our commercial bank demand deposits ("adjusted") plus United States Government deposits stood on June 30, 1939, at $28,147,000,000. On Dec. 31, 1944, the figure stood at $87,500,000,000, an increase of 210%. We have, therefore, enormously outdone France in the increase of a circulating medium, money plus demand deposits, during the war.

(4) The Bank of France steadily resisted inflationary developments, urging upon the Treasury constantly that it should borrow as much as possible from the people, and its resistance had real results. Our own Federal Reserve System seems to have surrendered its money market policy completely to the borrowing policy of the Treasury.

But we must now take account of favorable factors in our situation as compared with the French situation in the last war.

(1) We are now doing very much better than France did in taxation.

(2) Although France had a strong gold position throughout, we have what appears to be a world dominating gold position. But the outside world is gaining gold from us, and we are now apparently net debtor to the world on current account. (See National City Bank letter of April, 1945.)

(3) The relation of our national debt to our national income is more favorable by a good deal than it was in France. The estimate for national wealth in France in 1913 was 300,000,000,000 francs, and that for national income was 30,000,000,000 francs, giving a ratio fo 10 to 1. Real estate is the biggest factor in national wealth and the French capitalized their real estate on a very low yield basis in 1913. The ratio of national wealth to national income in the United States was only 5½ to 1 in 1912. It was again 5½ to 1 in 1939 if we take the figure of $387,000,000,000 given above for national wealth and compare it with the Department of Commerce estimate for national income for 1939, which was $71,800,000,000.

We do not know what our national income will be in the postwar period and we are uncertain what our national debt will be.

Our Debt Largely Unfunded

In the last war we placed the debt with the people primarily and in long-term form. The Government did spend for a few months funds borrowed on short-term from the banks, and then issued great funding loans, in which bonds were placed with the people and out of which this short-term debt to the banks was paid down. The curve for short-term debt rose to peaks just before each funding loan, and then moved sharply down again. The banks always held some of the Government debt. At the peak of the public debt they held about $4,000,000,000, but this included nearly $1,000,000,000 that they had held before the war to secure national bank notes and for other purposes. Of the war debt they held little more than $3,000,000,000 at the peak in direct ownership, and much of this was short, and they had also another $3,000,000,000 or $3,500,000,000 of loans secured by Government bonds which they had made to their customers to help them buy Government bonds.

The Federal Reserve banks owned almost no Government securities during the last war, except for a few days at a time when each of the great Liberty Loans was being floated.

When the war was over, the debt was largely funded. The Treasury knew where it stood.

Our Treasury today cannot know where it will stand when the war is over. The debt is very badly distributed. Of the part held outside the banks, there is a great part in the hands of corporations which are carrying depreciation reserves, maintenance reserves and liquid funds for reconversion purposes in government securities, but which must turn the government securities into cash to accomplish their purposes when the war is over.

A great deal is in the form of tax anticipation certificates which will come back to the Treasury instead of cash.

The so-called war savings bonds, gigantic in volume, are in effect demand deposits. The holders can get their money at any time. These bonds have been sold in a high percentage of cases with the argument that in buying them the purchaser is buying a post-war automobile or a post-war home or a post-war washing machine. The behavior of the sales and redemptions of these bonds in the fiscal year 1945, as compared with the fiscal year 1944, is disquieting. The Treasury Daily Statement of April 20, 1945, shows that in the fiscal year 1945 to date the Treasury has sold only $10,757,000,000 of these bonds, as against $12,612,000,000 in the corresponding period of the fiscal year 1944. It shows also that in the current fiscal year the Treasury has had to redeem $3,357,000,000 of these bonds, whereas in the preceding fiscal year it redeemed only $1,774,000,000. The net intake of the Treasury on these bonds in the fiscal year 1945 is thus only $7,400,000,000, whereas in the corresponding period of the preceding fiscal year it was nearly $11,000,000,000. (Since March 1, 1945, these redemptions have included redemptions of matured savings bonds, but the tendencies indicated above were strongly in evidence before March 1.) The Treasury may have a very grave problem with these demand deposits when the war is over. It is unfunded debt. The total of these savings bonds was $40,361,000,000 at the end of December, 1944, and the total of the Treasury tax and savings notes was $9,843,000,000.

Of the marketable issues, a very dangerously high proportion is in unfunded form. The total of marketable issues was $162,843,000,000 as of the end of December, 1944. We may break this up as follows: Treasury bills, certificates and Treasury notes, total $69,868,000.000. To this we ought to add the Treasury bonds maturing within five years, which stood at $7,824,000,000, making a grand total of short marketable debt of $77,692,000,000. To this we should add the war savings bonds and the tax and savings notes mentioned above, making

(Continued on page 1838)

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[1] This is the top figure suggested by the National Resources Committee in "The Structure of American Economy," June, 1939, Part I, pages 374-376. Their top "probable" figure is $360,000,000,000 and their lower "probable" figure is $350,000,000,000. I cannot find an estimate sponsored by the Department of Commerce later than 1922, when the figure was placed at $321,000,000,000. Estimates both of national wealth and of national income, of course, involve assumptions, as well as facts, and the estimates for France in 1913 are, of course, less dependable than American estimates today.

[2] I cannot, with the data at hand as I write, give all my French figures as of the same dates. Figures showing the classification and distribution of our own public debt at the end of 1944 will be found in the *Federal Reserve Bulletin*, March, 1945, pages 257-58.

HIS WORTH TO YOU

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Inflation Control and Treasury's Borrowing Policy

(Continued from page 1837)

$127,906,000,000 of unfunded debt, out of a total of $230,000,000,000 of interest bearing public debt, or 56%.

Of funded debt in the form of bonds maturing after five years the total is $83,761,000,000, but this funded debt of over five years' maturity is very badly held. $31,672,000,000 of this is in the commercial banks. The part that is clearly well-placed consists of $7,567,000,000 in the mutual savings banks, and $17,303,000,000 in the insurance companies, a total of $24,870,000,000 in these two classes of institutions.

The part that is held by individual investors is pathetically small. The great bulk of the public debt ought to be in the hands of the individual investors and it ought to be in funded long-term form. I cannot give the figure. It is part of $21,321,000,000 listed under the category "other," which includes business corporations, states and municipalities, educational and charitable organizations, trust funds, investment banks, brokers, and investment companies, as well as individual investors. The rates of 2% on 10-year bonds, and 2½% on 20-year bonds are simply too low to attract investors. The man who knows how to look at a bond table can see to what prices they would go if the rate of interest should rise, and he can look back over the history of government bond yields for the past 25 years and see yields exceeding 5%.

Diagnosis

The symptoms of pathology in the handling of the public debt are very clear in the figures given above. What is the explanation, what is the cause of the pathology? The explanation is to be found in the fantastically low rates of interest at which the Treasury has been borrowing, made possible by the artificial manipulation of interest rates by the Federal Reserve System.

The lowest interest rates in all history, at a time when the world is destroying capital on a colossal scale, and when the Government of the United States is borrowing many tens of billions of dollars a year, are obviously an anomaly. Normal interest rates reflect supply and demand of capital, and rise as supply diminishes or as demand increases. There are four normal sources of capital: (1) consumer's thrift; (2) business thrift, particularly the building up of corporate surpluses out of profits; (3) direct capitalization, as where the farmer uses his spare time in building fences and barns or allows his flocks and herds to increase; (4) governmental thrift, where taxes exceed public expenditure and the government is paying down public debt.

New bank credit constitutes a fifth source of capital, safe enough when cautiously used and kept in reasonable relation to the growth of the four normal sources of capital and the growth of production in the country, but dangerous in the extreme when used to excess, as we saw in the period 1924-33.

Bank credit as a substitute for savings is particularly dangerous in war time. It has been the typical breeder of war and post-war inflation. The classical case is, of course, that where the government leans directly upon credit from the State bank of issue, as Germany and France both did in World War I. The great expansion of bank notes is obvious. But an expansion of bank deposits is in economic essence almost identical with an expansion of bank notes. Notes and deposits alike are demand liabilities, are both media of exchange. Psychologically, the note issue is the more dangerous. We are, however, increasing both now on a colossal scale.

In World War I, between April, 1917, and December 30, 1918, we expanded bank deposits by $5,800,000,000 and bank loans and investment by $7,000,000,000. In the period from June of 1922 to April 11, 1928, we expanded bank credit by $13,500,000,000 in deposits and by $14,500,000,000 in loans and investments. This generated our wild stock market and stock market crash of 1929 and the resulting troubles of 1930-33. In the present war, as we have seen above, as a result of the Federal Reserve cheap money policy and the policy of the Treasury of borrowing at low rates of interest from the banks, we have generated an expansion of bank credit in the United States of incredibly greater magnitude and have increased our money in circulation from $7,000,000,000 at the end of June, 1939, to $26,000,000,000.

We had already very greatly overdone cheap money and bank expansion, and government security purchases by the banks, between March of 1933 and June of 1939. The Federal Reserve authorities had been greatly concerned and had raised the reserve requirements of the member banks in late 1936 and early 1937 to double the minimum reserve requirements. The Treasury was concerned and created a "sterilization" fund. But Presidential action compelled both the Treasury and the Federal Reserve authorities to retreat with respect to these matters in early 1938.

The Warning of the Federal Reserve Authorities

But the Federal Reserve authorities remained concerned. In a report to Congress on Jan. 1, 1941, there was a unanimous recommendation by the Board of Governors of the Federal Reserve System, the Presidents of the 12 Federal Reserve banks and the 12 members of the Federal Advisory Council urging the Congress to forestall inflationary tendencies (1) by increasing the power of the Board of Governors to raise reserve requirements of the member banks; (2) by ending the President's power to devalue the currency; (3) by repealing the power to issue $3 billion of greenbacks, and (4) by selling government securities directly to investors, rather than to the banks. The first and fourth of these recommendations looked directly toward firmer rates of interest.

Belatedly, and by action originating in Congress, recommendations (2) and (3) of this report have been adopted or appear to be in process of adoption, but nothing has been done about recommendations (1) and (4). They seem to meet no favor in the Treasury. The Federal Reserve System, having made its protest, today lies supine. It imposes no brakes. It feeds the inflation of bank credit and currency.

Alleged Safety in New Techniques

We are told that new techniques have arisen which make the policy safe. I see very little in the way of new techniques and rather a very exaggerated use of old techniques.

We have, first, the purchases of government securities by the Federal Reserve banks, replenishing the reserves of the member banks. In the first world war, the Federal Reserve banks did this in connection with each of the four great Liberty Loans, reducing the strain in the money market for a few days, while the loans were being floated, and then promptly selling the government securities again. The magnitudes were small—for the first three Liberty Loans a few tens of millions, and in the Fourth Liberty Loan, something over two hundred millions—but only for a few days.

In 1924 and 1927, the Federal Reserve banks bought several hundred millions of government securities and held them for a good many months, in each case generating a very dangerous expansion of bank credit, and in the second case precipitating almost unmanageable difficulties.

In the present war, the Federal Reserve banks have bought government securities in terms, not of tens of millions or of hundreds of millions, but of many billions. The figure stood at $2,184,000,000 on Dec. 31, 1940, and at $20,153,000,000 on April 18, 1945. This is no new technique, but the vast scale of its use makes one ponder.

Rediscount Rates Below the Market

In the last war, Federal Reserve Bank rediscount rates were placed below the market rates to facilitate war financing. But they followed the market up as the war went on. The New York Federal Reserve Bank rediscount rate was placed at 3% in 1917, moved up to 3½% at the end of the year, and to 4% early in 1918, remaining, however, below market rates. At the present time, the Federal Reserve bank rediscount rate is ½% for advances secured by government obligations maturing in one year or less. Here again there is no new technique, but merely an extreme application of an old one.

Reducing Reserve Requirements

The Federal Reserve authorities now have power to reduce the reserve requirements of the member banks and they have already done this as far as New York and Chicago banks are concerned. But in the last war we reduced member bank reserve requirements by Act of Congress in 1917—to levels that made us great trouble in the period of the 1920's.

Unlimited Access to Federal Reserve Banks at ⅜%

Finally, the Federal Reserve banks buy government bills without limit from the member banks at a fixed rate, ⅜ of 1% discount, with a repurchase agreement. This is designed to make the member banks look upon government bills as ready cash and to make them feel that it is not necessary to carry excess reserves. It may be granted that we have here a new technique. It is obviously a highly dangerous technique and a highly inflationary one.

Using Up Ammunition Rapidly

In the process of this immense bank expansion, we have used up ammunition very fast. The reserve ratio of the Federal Reserve banks to notes and deposits combined stood at 90% in April, 1942, and at 47% on April 18, 1945. Excess reserves, which stood at nearly $7,000,000,000 in early 1941, dropped below $1,000,000,000 in 1941.

Inflation Policy in Last War

During our own participation in the last war, we held down inflation admirably. The great rise in prices in the last war came between December of 1915 and July of 1917, before our government war policy got into operation. Commodity prices at wholesale in July of 1917 stood at 187% of 1913 prices. Under our war policy these prices receded to 182% in October of 1917 and then rose slowly, under the extreme pressure of the war, to 207% in November of 1918, after which they receded again to 197% in March of 1919.

Our war policy in the first world war with respect to prices contained four elements: (1) the sudden, very heavy application of war taxation; (2) great concern that bonds be sold to investors rather than to banks; (3) a firm money market to hold down bank expansion. Commercial paper rates in 1918 stood at 6%, though the government borrowed more cheaply. Rates were made, however, which would attract investors and which could look reasonable over a long period of time. The First Liberty Loan was issued at 3½%, fully tax free, the Second Liberty Loan at 4%, the Fourth Liberty Loan at 4¼%, the last three Liberty Loans being partially tax exempt. (4) We had a limited amount of price fixing, applying to scarce essentials, and accompanied always by commodity control. We had retail price fixing only in the matter of scarce foods and fuels, and here not until after wholesale price fixing had been well established. We relied in the last war primarily on functional controls, rather than direct controls, as far as commodity prices were concerned.

Primary Reliance on Price Fixing in World War II

In the present war, building up an immense inflationary flood by the expansion of bank credit and money in circulation, we have used as our primary device for controlling inflation, price fixing, covering virtually all wholesale and retail prices and industrial wages.

Price Fixing Must End with the War

It is quite clear that these price controls cannot be tolerated if we are to have a free post-war economy. Prices have work to do. Prices are to guide and direct the economic activities of the people. Prices are to tell them what to do. Prices must be free to tell the truth.

Something may be said for the temporary continuation of price fixing, with rationing, in the case of very scarce essential commodities, but each case should be scrutinized carefully. The general idea that price fixing should be continued after the war for the purpose of preventing inflation must be absolutely vetoed. Inflation must be controlled, if it is controlled, by budget balancing and control of money and credit.

Eliminate Inflationary Money and Credit Policies Now

The existing low interest rates are made possible only by the substitution of bank credit for investors' savings. If bank expansion were to stop today, interest rates would forthwith rise. If, on the other hand, bank expansion is not stopped, we shall have a tremendous inflation. And then we shall see an immense rise of interest rates, the inevitable accompaniment of a great inflation. The choice is not between continuing low interest rates and not continuing. The choice is rather between a moderate and manageable reversal of policy in the near future and an involuntary submission to very high interest rates at a later date.

Prescription: Fund the Public Debt Now and Reduce Money and Deposits Now

I believe we should act promptly while the war is still on, while we still have controlled commodity markets, and while we still have wartime motives to work with, in funding the government debt into long-term bonds at rates of interest which will attract investors' money. The vast scale of the funding operations required means that we should have to supplement the attractive yield with effective bond-selling, including neighborhood pressure. I believe that if we act promptly, these rates can be intermediate between those we paid in the last war and those we are now paying.

We now have outstanding, as a result of the previous abuse of bank credit, an immense volume of idle money in circulation and an immense volume of idle deposits in the banks. If these grew active, we should have an inflation that would blow us sky-high. The thing to do is to pull them in and get them invested in government bonds before they begin to work actively in other fields.

I cannot, of course, set exact figures at which investors will take long-term government bonds. Only the market can do that. But this idle cash is a market factor of first importance, tending to hold interest rates down. I think the thing to do is to increase the interest rates on new government securities forthwith to levels at which investors' money will be forthcoming. This should be accompanied by a sale of government securities by the Federal Reserve banks to tighten up the money market correspondingly.

Existing Excess of Money and Credit Tend to Hold Down Interest Rates for Refunding Purposes

Now a rise in interest rates would set in motion powerful counterforces which would tend to hold the interest rates down. With rising interest rates, savings banks and other banks would find it worth-while to offer attractive rates on savings accounts to the people, pulling in actual cash from circulation. And commercial banks would be interested in reducing or even dispensing with service charges on demand deposits, which would pull in a great deal of money from circulation. But this money coming in from circulation would ease the bank reserve situation and tend to hold interest rates down. Moreover, investors, attracted by higher yields on government bonds, would make a market for very many of the government securities now held by the banks. As the banks sold these securities to investors, investors would pay for them by checking against deposit accounts, canceling a great deal of the inflated deposits and once more easing the money market situation by reduceng the reserve requirements of the banks.[3]

Protecting the Banks When Government Bond Yields Rise

There are two main objections to the policy which I propose:

(1) that it would involve dangers to the capital structures of those banks now too heavily loaded with long-term government securities; (2) that it would increase the tax money required to meet the debt service on the Government's already enormous debt.

Let me say with respect to both these points that the problems grow progressively worse the longer we refrain from facing them.

To protect the banks in this change of policy, I have proposed that the banks holding long-term government bonds be allowed to exchange them for new issues at the higher rates of interest, at a discount of, say, 2% as compared with cash subscribers, leaving them with some loss but not with losses that would ruin their depositors. The FDIC, whose solvency and liquidity are of highest importance, should have the same protection as the banks. Both banks and FDIC should be expected to take shorter maturities in making these exchanges. I have seen no other proposal for dealing with this that looks at all adequate. It cannot be solved by allowing the banks to carry these bonds at par on their books, regardless of the market. Informed depositors would simply withdraw their funds from banks whose capital structures were impaired and put them into banks whose holdings of government securities were predominantly short-term. Nor do you solve any inflation problem by forcing the Federal Reserve banks to take long-term bonds from the member banks at par.

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[3] For an analogous situation, see my account of the money market in 1928, in *The Chase Economic Bulletin*, "Brokers' Loans and Bank Credit," Oct. 31, 1928.

The present artificiality in the interest structure runs far beyond the regulation of member bank reserves and short-term money rates. The Federal Reserve authorities are also undertaking to regulate the long-term interest rates, by buying and selling government securities of different maturities. (For an exposition of Federal Reserve policy with respect to this matter, see the *Federal Reserve Bulletin* of July, 1943, pages 590-91.) A good many bankers have come to expect a sure market for their long-term government bonds in the Federal Reserve banks themselves. This is an ominous delusion. The holders of the ultimate reserves of the country must not be investment institutions and must not be looked to, to supply long-term capital or to manipulate the bond market. When the Federal Reserve authorities are finally driven to tighten the money market in resisting a great inflation, they will not be able to protect the prices of long-term government bonds without feeding the very inflation they are trying to control.

The Interest Burden of the Public Debt

With respect to the interest burden on the government debt, let me say that this problem becomes progressively worse if we delay it. We can now fund the government debt at moderate rates of interest, as above indicated. If, however, we wait for inflation to come, interest rates will rise rapidly and the Secretary of the Treasury will sweat blood as Treasury bills and certificates fall due, as people cash in their war savings bonds, and as he has to borrow money on the rapidly rising money market—or else print, which would not help the inflation.

Drastic Federal Budget Economies Essential

The notion that we can permanently hold the debt service on the public debt to a 2% rate is fantastic. The notion that we can permanently service three hundred billions of public debt with six billions of interest is fantastic. We had best face the facts now. The facts are that our post-war budget is going to be very difficult to balance and that we face the necessity for drastic economies in the post-war period. The facts are that proposals for expanding Federal expenditures after the war must be fought all along the line. We do not create social security when we endanger the dollar in which social security payments are to be made.

Artificialities Built on Artificialities

I cannot pretend to know with confidence what is going on in the minds of men inside the government who, seeing the dangers, are still afraid to face them. But I have heard some fantastic suggestions.

One of them looks to a compulsory holding by the member banks of fixed quotas of non-negotiable government securities as a permanent matter, at nominal rates of interest with, however, the understanding that in times of necessity they may turn these over to the Federal Reserve banks for cash. Now always in the past our government securities in the commercial banks have been looked upon as secondary reserves. Always in the past we have had a free government bond market. The liquidity of the banks, and their ability to make adequate loans to commercial borrowers and their ability to meet depositors' withdrawals, have always been greatly strengthened by their holdings of government securities. To freeze government securities in the banks is to freeze the banks. Moreover, the volume of bank deposits, which ought to be related to the needs of commerce, would then tend to be frozen, governed not by the needs of commerce, but by the Treasury's needs. Money market control with respect to the needs of trade and with respect to the need of checking inflationary tendencies would disappear under a system like this. Again the Federal Reserve banks, trying to tighten up and prevent the inflation from becoming a ruinous thing, would find themselves compelled to expand their credit as they took over government bonds from hard-pressed banks. No such artificiality will help.

I have last Autumn from a man in the government's financial system, whom I do not wish to identify as he was talking with me privately, an alarming suggestion which may or may not represent a considerable body of inside thought. He told me that we had learned many things, which economists had previously not known, which made it safe to proceed along lines that we had formerly regarded as unorthodox. He said that two years ago he had been afraid of the great expansion of bank deposits and money in circulation which the Treasury's borrowing involved, and afraid of the unfunded debt, but that today he had no fear at all of inflation. It will be perfectly possible with modern techniques to control the interest rates and to control inflationary tendencies. When I pressed him regarding the methods, he said that the Nazi had developed some very good technical economic ideas. I said, "Yes, if you have enough regimentation, if you have control of all commodities and all prices, if you have control of every man's pocketbook and every man's bank balance, if you have control of the farmer's consumption of his own production, if you can control all exports and imports and foreign exchange transactions, and if you have a sufficiently powerful and efficient Gestapo, you can take great liberties with money and credit." He said that the trouble with the Nazi is that they do not have consciences.

I may add, however, that without techniques of the Nazi type described in the preceding paragraph, it is not possible to continue our present course and avoid a ruinous inflation.

I know at least one man in the Federal Reserve system who was reconciled to inflation nearly two years ago, who held that inflation always follows a great war, and that it is necessary to cover up the great war debt. To this man I would say, first, that I do not believe it. We can, by sound measures taken promptly, protect our currency from further debasement, and protect our price system from ruinous convulsive movements. Moreover, the accomplishment of the measures which I propose would still leave far more inflationary material lying around than I like to see. For one thing, we have not yet felt the main impact of the 40% cut in the gold content of our dollar in 1934 and we have not yet seen the consequences upon the world of the rise of annual world gold production from $430,000,000 in old gold dollars in 1930 to roughly three times that figure in new gold dollars in 1939. I would add that in any case the most hopeless pessimist would wish to have some control of the situation.

Inflation is not something that you can turn off and on like water at a faucet. Inflation and deflation are not simple terms and they are not simple opposites. There is no financial Westinghouse air brake by means of which an inflationary movement can be smoothly tapered off and brought gently to an end without a shock. Rather, inflationary forces engendered in defiance of sound financial policy may seem harmless for a long time and then suddenly break forth into great violence.

It is far better for the Federal Reserve System to act now when moderate restraining movements will accomplish a great deal, than to wait until the great inflationary movement is under way and when even violent methods of restraint may have limited efficacy. And it is far better for the Treasury to face the financial facts regarding the public debt service now, while it is possible to fund the debt on moderate terms, than to wait to face the violently rising interest rates which a real inflation always creates.

Editor's Note: — The above memorandum, under instructions from Dr. Anderson, was submitted as a confidential document to Treasury and Federal Reserve authorities and to other important officials in Washington by the Economists' National Committee on Monetary Policy of which Dr. Anderson is a member.

Twenty-two members of the Committee have expressed a desire to associate themselves with Dr. Anderson in his analysis and recommendations and two other members endorse his views with reservations. Those endorsing without qualification are:

Charles C. Arbuthnot
D. W. Ellsworth
William D. Ennis
Fred R. Fairchild
Charles C. Fichtner
Roy L. Garis
E. C. Harwood
William F. Hauhart
John Thom Holdsworth
Philipp H. Lohman
Roy W. McDonald
James D. Magee
Clyde W. Phelps
Olin Glenn Saxon
Carlton A. Shively
Alvin S. Tostlebe
Rufus S. Tucker
Russell Weisman
Nathaniel R. Whitney
Edward Wiest
Max Winkler
Ivan Wright

The two members who endorse the paper with reservations are:

Frederick A. Bradford
Hudson B. Hastings

It is to be noted, however, that neither the memorandum nor the endorsements may be assumed to represent the views of other members of the Committee and the memorandum, though released by the Committee's Secretary, Dr. Walter E. Spahr, is not a Committee document.

Dr. Anderson was Assistant Professor of Economics at Harvard University (1913-1918), Economist of the National Bank of Commerce in New York (1918-1920) and of the Chase National Bank (1920-1939). He is the author of "The Value of Money" (published in 1917 and reissued in 1936); "The Effects of the War on Money, Credit and Banking in France and the United States," published by the Carnegie Endowment for International Peace, 1919; and the issues of the "Chase Economic Bulletin" (1920-1937), and the "Economic Bulletin" issued by the Capital Research Company, Los Angeles, Calif., since 1939.

Broker-Dealer Personnel Items

If you contemplate making additions to your personnel please send in particulars to the Editor of The Financial Chronicle for publication in this column.

(Special to The Financial Chronicle)

BANGOR, ME. — **Harvey G. Royce** has rejoined the staff of **Hornblower & Weeks,** 2 State Street, after serving in the U. S. Navy.

(Special to The Financial Chronicle)

ELYRIA, O. — **William H. Thomas** has been added to the staff of **P. R. Smith & Co.,** Elyria Savings Bank Building.

(Special to The Financial Chronicle)

FRESNO, CALIF.—**Robert E. Ross** is with **Blyth & Co., Inc.,** Rowell Building.

(Special to The Financial Chronicle)

INDIANAPOLIS, IND. — **Clarence A. Auble** and **Russell B. Dickson** are with **Paul H. Davis & Co.,** Merchants Bank Building. Mr. Auble was previously with Thomson & McKinnon; Mr. Dickson was with Otis & Co.

(Special to The Financial Chronicle)

INDIANAPOLIS, IND. — **Raymond M. Neal** is with **Merrill Lynch, Pierce, Fenner & Beane,** Circle Tower.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — **Herschel G. Denison** has joined the staff of **Barbour, Smith & Co.,** 210 West 7th Street.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — **Frederick C. Soder** has become connected with **G. Brashears & Co.,** 510 South Spring Street. Mr. Soder was previously with Boston Commonwealth Corp. and Fewel, Marache & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Harold F. Brown** is now associated with **Buckley Brothers,** 530 West 6th Street. Mr. Brown was formerly with First California Company.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Roy A. Teshera** has become affiliated with **Carter H. Corbrey & Co.,** 650 South Spring Street.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**John D. Fox,** previously with Walston, Hoffman & Goodwin, is now with **Fairman & Co.,** 650 South Spring Street.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — **Ansgar M. Christensen, Donald M. Kepler** and **Clarence Knudsen** are with **First California Company,** 300 Montgomery Street.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — **Luther R. Holley** and **Peter Mayer** are connected with **Hill Richards & Co.,** 621 South Spring Street. Mr. Holley was previously with Barbour, Smith & Co.; Mr. Mayer was with District Bond Company.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — **Reuben Francis Ruth,** formerly with Witherspoon & Company, Inc., has joined the staff of **Hope & Co.,** San Diego Trust & Savings Building, San Diego, Calif.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Maxwell N. Stabeck** is with **Kerr & Bell,** 629 South Spring Street.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Dan S. Secord** is with **Lester & Co.,** 621 South Spring Street. He was previously with Hill Richards & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF.—**Marjorie E. C. Hensel, John D. Matthews** and **Louis H. Romey** are now associated with **Livingstone & Co.,** 639 South Spring Street.

(Special to The Financial Chronicle)

LOS ANGELES, CALIF. — **Bruce Card,** formerly with Russell M. Anderson, has been added to the staff of **Maloney & Co.,** 650 South Spring Street.

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

PURCHASE OFFER TO THE HOLDERS OF

$9,756,000
New Amsterdam Gas Company
First Consolidated Mortgage Five Per Cent. Gold Bonds
due January 1, 1948

$15,000,000
The New York Gas and Electric Light, Heat and Power Company
First Mortgage Five Per Cent. Gold Bonds
due December 1, 1948

$20,866,000
The New York Gas and Electric Light, Heat and Power Company
Purchase Money Gold Four Per Cent. Bonds
due February 1, 1949

Consolidated Edison Company of New York, Inc., successor to New Amsterdam Gas Company and The New York Gas and Electric Light, Heat and Power Company, the issuers of the aforesaid bonds, is desirous of acquiring any and all of said bonds for surrender and cancellation and offers to pay for them as follows:

New Amsterdam Gas Company, First Consolidated Mortgage Five Per Cent. Gold Bonds, due January 1, 1948	109.68
The New York Gas and Electric Light, Heat and Power Company, First Mortgage Five Per Cent. Gold Bonds, due December 1, 1948	113.75
The New York Gas and Electric Light, Heat and Power Company, Purchase Money Gold Four Per Cent. Bonds, due February 1, 1949	111.27

plus accrued interest to November 1, 1945, these prices being equivalent in each case to a yield basis of one-half of one per cent to maturity.

Holders of said bonds accepting this offer should surrender them to City Bank Farmers Trust Company, 22 William Street, New York 5, New York, on or after October 25, 1945, and payment therefor with interest to November 1, 1945, will be made upon delivery. In the case of coupon bonds, all coupons payable on December 1, 1945, or subsequently, should be attached. Registered bonds should be accompanied by appropriate assignment.

CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
By William F. O'Brien
Treasurer

Dated: October 4, 1945

Mutual Funds

"Important Dollars"

The October report of the **George Putnam Fund** is a fine example of having a good story to tell—and telling it well. This fund "is designed for your **investment** money, not for speculative money. The primary objective is to provide individuals and institutions with a good investment."

This primary objective of the Fund is stressed throughout the report. It is recommended as a "good investment" for "the **careful** investor who seeks a living return, reasonable capital security and protection against inflation." It is recommended for "the farmer who has sold his farm at a good price and wants to put his money to work without fear of losing it." It is recommended for "the individual who is setting up a trust fund for his children." It is recommended "for foundations and institutions."

In summary, it is recommended for "important money"—money that one doesn't want to speculate with . . . but money from which one needs a larger return than the banks are paying.

At the end of September the "common stock portion" of the Fund accounted for 42% of total assets, with 27% invested in the "dependable fixed income portion" and 31% in the "investment backlog portion." During the third quarter, the policy in effect since the first of the year of gradually reducing the common stock portion was continued.

Incorporated Investors

In a current release, the **Parker Corporation** reports the net changes in the portfolio of **Incorporated Investors** during the three months ended Sept. 30. In addition to United States Treasury Bonds, three securities—Mohawk Carpet Mills, Pan American Airways Warrants and Tubize Rayon—were added. Holdings were increased in 11 issues, machinery stocks and reorganized rail bonds. Holdings of 15 issues were decreased or eliminated entirely with the emphasis in this category on the petroleum stocks and gold mining shares.

State Street Investment Corp.

The report of **State Street Investment Corp.** for the nine months ended Sept. 30, 1945 shows net assets of $66,017,850, equivalent to a net asset value of $53.49 per share. President Paul C. Cabot advises stockholders that it is the intention of the Fund to "make a capital distribution of approximately all the net gains from the sale of securities" in each year. Although no attempt is made to estimate net capital gains available for the full year 1945, realized gains from the sale of securities for the first nine months of this year amounted to approximately $3.00 per share.

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Taxes

"For the first time in 16 years," writes **Selected Investments Co.**, "the House Ways and Means Committee has recommended broad tax reduction. The importance of this development to investors can hardly be over estimated.

Another memo from Selected Investments Co. discusses the investment of new trust money by leading New York City trust institutions. The magazine "Trusts and Estates," recently approached the investment officers of such institutions with the following question: "How are you investing new fully discretionary, sole trustee accounts of $200,000 or less, without special consideration of the beneficiary's other property or income tax position?"

A fairly uniform pattern of diversification was shown with the common stock portion ranging from 15% to 40% of the total among the nine leading trust institutions covered by the survey.

Tax Beneficiaries

Distributors Group devotes two current issues of Investment News to pointing out the substantial benefits which will accrue to many leading companies as a result of recent and prospective tax changes. One memo reports that the steel and railroad companies will get the biggest tax refunds under the speeded-up amortization which became effective with President Truman's proclamation of Sept. 29.

For companies which have paid large excess profits taxes during the war, the indicated advantages of speeded-up amortization are so great that no other course than to accept the refunds can be justified. To take two examples, it is indicated that U. S. Steel may collect something between $50 and $60 million and Bethlehem Steel around $40 million. Many of the leading railroads are in a similarly favorable position.

The second memo illustrates what elimination of the excess profits tax means to investors. The average earnings per share of 55 leading common stocks are shown for 1944 and compared with what these same stocks would have earned with the excess profits tax eliminated. The figures are $4.46 per share of actual earnings as against $10.55 per share had there been no excess profits tax in effect last year.

Another interesting angle is revealed in that the earnings before taxes for these companies could decline 50% and, with the excess profits tax removed, they could still earn more than they did last year.

> **"Elimination of the excess profits tax will mean that investors will share more fully in corporate earnings than was considered feasible during the war years. With an era of unequalled business volume forecast for American industry, this is another important reason why selected stock groups are better investments than cash today."**

Whither the Stock Market?

The current issue of **National Securities & Research Corp.'s** weekly service, Investment Timing, contains a discussion of the "long term forces affecting the stock market." This discussion takes the interesting viewpoint that such factors as inflation, huge savings in the hands of the public and lower purchasing power of the dollar are not the real, fundamental forces pushing prices up.

The two outstanding forces, it is stated, are, first, the Federal Reserve System supplying the funds to create demand for stocks and, second, the capital gains tax which restricts the supply of stocks. It is pointed out that these two basic forces for higher security prices are not only present today as they were in 1928-1929, but they are present with multiplied force.

> **"A time to be fearful about the stock market will be when either of these fundamentals is changed so that demand is greatly reduced or the supply of stocks is broadly increased. No such conditions appear likely in the foreseeable future."**

More About Earnings and Taxes

Keystone Co.'s current Keynotes shows the 1944 average per-share earnings for the 40 stocks currently held in **Keystone Common Stock Fund "S-3"** as compared with what those earnings would have been with the excess profits tax eliminated.

These 40 stocks earned on average $17.89 before taxes last year. After EPT their average net per share was $4.07. With the EPT eliminated they would have earned an estimated $10.18 per share.

> **"Since business activity promises to hold at high levels for several years, many corporations should be able to exceed their wartime earnings before taxes. In instances where gross earnings are lower, the elimination of the excess profits tax could still leave a larger net profit for shareholders."**

Railroad Stocks

A new memo from **Hugh W. Long & Co.** on the **Railroad Industry Series** of **New York Stocks** shows that:

1. Industrial production creates rail revenues and industrial production promises to be much higher than in prewar years.
2. Rail stocks lag behind the market, with the Dow-Jones Rail Average down 6% from June 26, compared with an advance of 8% for the Dow-Jones Industrials from that date.

> **"Today's prices for railroad issues are low in relation to forecasts of industrial production and by comparison with the market for industrial shares."**

Dollar Averaging With Affiliated Fund

Lord, Abbett has brought up to date the interesting tabulation showing the results of dollar averaging with **Affiliated Fund** over a period which now covers 5½ years. Had an investor started at the beginning of that period to invest $100 in Affiliated Fund each month, he would today have an investment with a total value at offering price of $15,715, compared with a total amount invested of only $6,600.

* * *

This sponsor's current Investment Bulletin on **Union Preferred Stock Fund** points to the speed-up in utility reorganizations and the likelihood that this development will prove favorable to the holders of Union Preferred Stock Fund. At present 10 of the 28 issues in this fund's portfolio, representing 40% of its assets, are invested in utility funds.

Personal Notes

The writer of this column was happy to receive the announcement that Mr. Paul Bartholet has been elected Executive Vice-President of **Hugh W. Long & Co.** and of the funds and management organization under the Long Company sponsorship. Mr. Bartholet, as Executive Director of the National Association of Investment Companies, established a record for effective and constructive work in the Mutual Fund field and our cordial best wishes are extended to him in his new position.

* * *

Walter Scott of **Lord, Abbett** announces that Lt. Col. Robert H. Noland, who has just finished a three-year stretch in the Army Air Corp., is returning to Lord, Abbett as Eastern States representative. At the same time it was announced that John L. Schmitt has been promoted to the office of Eastern Sales Manager for Lord, Abbett.

Mutual Fund Literature

National Securities & Research Corp.—Revised portfolio folder on **National Stock Series. . . . Lord, Abbett**—Investment Bulletin on **American Business Shares** showing portfolio breakdown on a $10,000 investment. . . . **Distributors Group**—An issue of Aviation News on department store sales of airplanes and stressing "the World of Tomorrow will be an air-minded world!"; current issue of Steel News and memo on steel backlogs; also revised memo with charts showing the position of steel stocks in the current market; current Investment Report on **Group Securities, Inc.** listing those groups considered most attractive for investment; revised portfolio folders on **Railroad Bond Shares, General Bond Shares** and **Low Priced Shares. . . . Selected Investments Co.**—Portfolio memorandum showing holdings of **Selected American Shares** as of Sept. 30.

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Text of Bill Calling For Nationalization Of Bank of England

(Continued from page 1834)

SECOND SCHEDULE

Supplemental Provisions as to Court of Directors

1. The term of office of the Governor and of the Deputy Governor shall be five years.

2. The term of office of the directors shall be four years, and four of them shall retire each year on the anniversary of the appointed day:

Provided that, of the directors appointed to take office on the appointed day, four shall be appointed to hold office until the first anniversary of that day and shall then retire, four shall be appointed to hold office until the second anniversary of that day and shall then retire, and four shall be appointed to hold office until the third anniversary of that day and shall then retire.

3. A person who has held the office of Governor, Deputy Govearnor or director shall be eligible for re-appointment to that office or for appointment to any other of those offices.

4. A person shall be disqualified for holding the office of Governor, Deputy Governor or director if—

(a) he is a Member of the Commons House of Parliament or a person holding an office of profit under the Crown; or

(b) he is an alien within the meaning of the British Nationality and Status of Aliens Acts 1914 to 1943; or

(c) he is subject to any disqualification which may be imposed by the charter of the Bank; and a person shall vacate any such office if he becomes subject to any such disqualification.

5. Where the office of a director is vacated under the foregoing paragraph, or by death or resignation, a person appointed to fill the vacancy shall hold office until the time when the person in whose place he was appointed would regularly have retired, and shall then retire.

6. Not more than four of the directors may be employed to give their exclusive services, to the Bank.

7. The following provisions shall have effect as respects any meeting of the court of directors held on or after the appointed day but before a charter making provision for the matters dealt with by this paragraph has been granted and accepted under this Act:—

(a) the meeting may be called by the Governor or Deputy Govearnor in such manner as he may determine;

(b) a quorum shall consist of not less than eight directors together with the Governor or Deputy Governor;

(c) when a quorum is present the court may act notwithstanding that a vacancy exists among the members of the court.

Boston Stock Exchange Celebrates 111 Years

BOSTON, MASS.—The Boston Stock Exchange marked its 111th birthday on October 13. The Exchange, which now has a membership of 122 brokers and occupies offices on the first and second floors at 53 State Street, was founded in 1834 by 13 men in a one-room office on State Street.

There are 62 member firms, many of which are also members of other exchanges. Eight of these member firms are incorporated.

The One Unused Tool of Management

(Continued from page 1831)

demands grew fast for the output of the harmonious company whose harmony was itself a great factor in its efficiency.

"Business in the Doghouse"

Now there isn't anything new in all this, but it's the kind of thing we easily forgot in the troublesome years of the last decade. During that decade the men of management have been prisoners of war in an occupied territory. Maybe you didn't think of it in that way, but in your direct way you put it that "business was in the doghouse." I choose the "prisoner of war" anology for the Federal Government was really occupying your territory, the territory that had been yours since the War of Independence and the founding of the Constitution, the territory where you had done a better job than had been done anywhere else in the world.

Apparently the worst that can be truthfully said of you as a class is that you didn't tell the world what you were doing and how you served the nation's interests, the good of all the people. Your very success in profits and efficiency, your meeting of the world's wants at lower and still lower prices, made you prosperous and a natural target for abuse. The country doesn't know how little it pays for good brains and executive capacity. It doesn't know that corporate profits and large executive salaries come from the last wee bit of efficiency in management, after a company passes the profit deadline where expenses are covered and the last wee bit of added efficiency in lowering costs or increasing volume produces the profit. You were the scapegoat because business wasn't understood and you men of management personified business. The world assumed you were getting more than your share of what you produced, and you were accused as a hard, selfish bunch of exploiters. You had been so sure of your own purposes that your pride was hurt; you didn't tell your side and, in your silence, you almost plead guilty to the charges, for you were expected to fight if you felt you were right. Some few of you had a right to think that you were not being accused but gradually nearly all of you began to wonder whether there might not be something wrong about a profit, and you began to wonder why you kept on, for you didn't want to seem to fight your Government. Down in your heart you felt your motives were questioned and you would not be believed if you replied. In sullenness, you began attacking the men who attacked you, instead of attacking the ideas of those men. That platform gained you no public support, for it didn't get to the roots of the trouble. You knew you deserved the support of the consumers of this country because they were giving it to you and you forgot that everyone was in a pressure group which thought of its members only as producers. You saw one pressure group after another gain some advantage for itself against all the consumers, and you foresaw the situation where every element of our population would be forced to organize its own pressure group in pure self defense. You saw group consciousness developing and group hatreds growing.

You must have seen—when you stopped to think about it—that there was no logic in such a situation. You had learned that the well-being of your employees, your stockholders and yourselves depended upon the consuming public and their willingness to buy your output. These consumers were the bosses of all of you. They didn't really care about the division of the salaries, wages and profits among the producers. They could lay that difficult problem aside, because they could say every day whether all of you were going to work for them at all. They were not going to bother with any details. By the most democratic process in the world—a secret ballot every day—they voted, by giving or withholding their patronage, upon how well the producers were going to live and, in fact, upon whether they were going to live at all as producers. These consumers had told many concerns by this same democratic process that they were no longer needed, as they weren't giving the consumers what the consumers wanted at the price they were willing to pay. These consumers are an impersonal lot. They don't argue with you and try to reform you. They tell you that they will not hire you with any guarantee of price or volume, that you set yourself up in business with the idea that you will find out what they want, offer it to them at a fair price, and at that time they will exercise a free choice. They will buy what they like, and no more. They may be induced to buy, but they cannot be forced to buy. They see the increases piling up in the costs of goods they need. They will soon see that if government starts paying producers for not producing goods, it does the consumers no good to stop buying, if they are to be called on to pay taxes to keep producers in idleness. If the elements in producing goods are going to insist upon pricing themselves out of the market, the consumer as soon as he understands will not pay taxes to support these producers in idleness. These consumers are the great unorganized pressure group; they have the most votes; they will insist the producers serve the whole people and not any selfish interests in a production group. Therein lies the hope that Congress will concern itself with the consumers, for any action taken in their long-range interest serves the whole nation and not merely a part of it.

Dangers of Planned Economy

It is your responsibility if you fail to offer these consumers what they want at the price they are willing to pay. One need only look at the long list of business failures among big and small concerns and the comparatively few business successes that last a generation to know how impersonal the consumers are. They have one objective and they carry it out—they demand what they want at any time at the price they are willing to pay. If you can meet this demand you should prosper, but they are utterly indifferent if you fail. There isn't any virtue in business in preaching that it serves the consumer. It has no choice but to do just that if it wishes to live. There is always someone with either capability or with enthusiasm plus money who will crowd out the producer who doesn't truly serve the consumer. The concern with capability may succeed and the one with money and enthusiasm may lose both its enthusiasm and its money and the consumer will go on his way unconcerned. He thinks the risks and the rewards are fair. That's the American way of life—equal opportunity for all, personal responsibility, no coercion by anyone, no favors by government, the free enterprise system as we have come to refer to it, and it will stand or our way of life will go under just as others have gone before. We don't know any better way of life, though in the last decade we have seen many steps taken in the direction of a planned economy and State socialism. The argument still goes on, and we are asked to accept for ourselves what has been tried by many countries in Europe to their own economic and social injury. Didn't we fight this latest war to destroy this same idea in the minds of our enemies, and aren't we now insisting in our terms of peace that this same idea be rooted out throughout the world? Doesn't it seem a strange thing that we should say that idea is worth a trial by us, yet that is the purpose being advocated in much of the legislation before Congress. Such legislation is frankly aimed at progress toward State socialism and a strong Federal Government, something abhorred in America since its first colony was founded.

I don't believe America will go knowingly to State socialism. It might conceivably slip into it unwittingly, or go into it a step at a time, but the pressure to do so will not arise from the people generally on their own initiative. It will come from those who will make promises of its benefits for the sake of winning votes.

Unhappily, State socialism lends itself as a great political tool for the demagogue who can gain votes by promising the benefit of State socialism when he isn't going to be held to account for the long-range effects of his promises. Promises of immediate benefits will always be more powerful than distant dangers and far removed risks. The man who does not have to count the costs of carrying out these promises can marshal a political force which will always be very difficult to overcome. There isn't anything glamorous about balanced budgets, sound money policies, the competitive system, a large volume of production, hard work, or selling one's services at the price the buyer is willing to pay—certainly nothing so glamorous as the promise to provide jobs for all. Could it be that this idea—that the Government will guarantee jobs for all who want them—came directly from Nicolay Lenin, who pointed out many years ago that the way to destroy our type of self-government would be to create a public belief that government could permanently supply all of the people with jobs? Lenin's purpose wasn't my purpose, for he pointed out that the certain result would be such a clamor for jobs that no free government could withstand the demand and remain financially stable. And Lenin probably didn't see how soft a government could be regarding pay rates, for of course it does no good for the State to guarantee a man a job unless it sets rates of pay and the kind of a job that will satisfy him as a voter.

More Employers Means More Employment

Let us look at this problem of wide employment. It is my belief that the way to get more employment is to proceed to get more employers by inducing them to expand their activities, or to start new businesses, either as self employers or as the employers of others. I believe this can be done only by inducing men to do these things and not by coercing them or by making it difficult for them to become employers. I do not believe it can be done by any device of government planning, for the inevitable tendency then is toward regimentation or State socialism. I think the responsibility of government is primarily to *clear the way* for people to provide jobs for themselves and for employers to employ others and, in general, to clear the way for people to do their own planning with reasonable assurances as to important government policies.

As long as America's attitude is confused as to the scope of government, then the attitude of business men must be clear. Regardless of what government has done or may do in the future, regardless of political swings to the right or the left, it will still remain the job for all of us to do the very best we know, in the conditions as we find them, toward adding to employment and increasing the volume of business. I am one of those who think that the individual knows his own affairs better than anyone in government, but I am also convinced that unless business men do the very best job they know how, and unless they convince America that they are doing that quality of job, we will have increasing difficulties in the days ahead.

With that background I want now to paint in what I think is the responsibility of corporate management. There can be no formula for handling the problems confronting you in these days. The best that I can do is to place some channel markers and warning beacons along the course of a successful business, one that is successful first because it provides better goods to consumers at progressively lower prices, and second that it provides fair reward to all in the group who share in the production—workers, management and stockholders. *Management has this responsibility and cannot share it, for responsibility is not divisible.* We all know that what is made everybody's business is nobody's business. That's why a debating society is no good as a management The stockholders made you their trustees, and when you accepted their delegation you accepted full responsibility. Let there be no uncertainty on that point. You were chosen for the responsibility for only one reason—that you possess the greatest power of management—simply the ability to influence people to cooperate for a common purpose. If you weren't chosen for that reason, and if you don't perform on that basis, somebody made a mistake in picking you for your job. There may be other abilities demanded in one who is competent in management, but the "ability to influence people to cooperate" is the prime one, the *sine qua non.* In the end that's the test you meet. If you succeed in this, you, your stockholders and your workers all succeed with you. If you fail, the best thing that can happen to you is to recognize the failure and resign in time before the failure involves your workers and your stockholders as well.

Management: "To Influence People to Cooperate"

I have a great faith in American corporate management. Most men carrying management responsibility have won their positions through gaining the confidence of their associates. Almost all people so chosen have the ability "to influence people to cooperate" as otherwise they would not likely have been chosen. That's the one outstanding fact about the general character of American corporate management.

Now for that great talent, let me point out the greatest opportunity and the greatest responsibility—the maintenance of our faith in our form and kind of government—the keeping of the sword of free enterprise as bright and untarnished as when it came to our time. That job is a challenge to every man who is willing to stand on his own feet, every man who knows that a drift toward State socialism will be a leveling down process and not a leveling up, a process that will destroy both the freedom and the enterprise of all the people. How many top executives do you know who have tackled the job of understanding the simple principles of economics that need such wide explanation, and then tackled the job of telling it all in simple terms to the members of their own organization? That's what I think every executive should do.

I think he should go first to his own people, after having convinced himself that he can present a forthright and earnest statement of his beliefs, after he has steeled his courage to the point that he is willing to answer any question that can be asked, and after he has decided that he is going to tell his own story and no second-hand story in the simplest terms he can use, with his facts applied to the particular business in which he is engaged.

I know no reason why you will not get attention to your ideas, and I a think the success you have in the job will depend in large measure upon how much of your heart you throw into it. I doubt that any of you have any interest in life that doesn't call upon you to recognize this challenge and this opportunity. There cannot be any question about your self-interest or your loyalty to your country and your loyalty to your own conscience. Every one of these considerations will lead you to tackling this job.

Everyone of us in management complains, and justly, when people lean on government, and yet in this matter we, too, are leaning on government. We want government to make our jobs easy, and of course we want government to get out of this field of controls of private business. When we ask government to help us in these problems of the day, we only give power-hungry men in Washington full support for the belief that business needs the help of government. I think you have a good case and that you know it, but that you have been shrinking from doing what you can do so well, if you but try.

Corporate Management and Public Relations

The American people have a greater stake in this American way of life than they seem to realize. They could be convinced by the top men in every corporate management who understand the common sense of the situation and personally present it courageously to their own people and then in larger groups. It isn't a job for public relations or press relations, though both could help. It must not be delegated, for it should be the personal job of each man in management.

Now there isn't a law that places this responsibility on corporate management or that sets up any penalty for its failure to act. The rewards are so great for doing the job that there need be no penalty for failure to do it. You know what will happen if you fail on this job, and you don't need any radar to warn you of the approach of the enemies of the American way of life.

If this great ability to influence people is used on this one problem as it is used so well on so many less important problems, then the American way of life will survive—*equal opportunity to all, personal responsibility for one's well being, no leaning on a beneficent or a bankrupt government* (the only difference being one of time)—*with no coercion by anyone and no favors by government to any individual or group.*

If men can be happy when they can see a worthwhile project that can occupy their best talents and every possible effort for a period of years ahead, then the men in American corporate management should be happy, because this job will meet that specification.

Here is a chance for American executives to rise above their own personal interests on the job that calls for the best of courage and initiative, and will increase the potential power of every executive who tackles it.

If this great tool of management—its ability to influence people—is to be used, apparently courage alone is needed—courage is the thing, for all goes if courage goes—courage described by Samuel Johnson in these words: "Unless a man has that virtue he has no security for preserving any other."

"A Big Sales Job Ahead"

(Continued from page 1821)

give only secondary importance to such questions as the mechanics of changing from the manufacture of radar to FM radio receivers for the home; disposing of surplus war material and government-owned plants; setting a proper figure for unemployment compensation; or deciding whether Bulgaria has or has not a democratic government. Even the labor troubles that are developing in all segments of industry are not the primary problem. True enough, they must be solved. It is also true that if they drag out too long, they may cause real hazards to reconversion. Nevertheless, even when they and the other difficulties I have mentioned above have been overcome, industry as we know it will still be highly vulnerable in years to come. It has an Achilles heel.

The real crux of our problem, gentlemen, is:

After industry has reconverted and provided employment for the millions who are now out of work, how good a job will we do of maintaining a high level of employment through the coming years?

In my opinion, the manner in which American industry answers this question will determine the way of life that we, and our children, will follow. If industry answers these questions as they can and should be answered, our future as a free democracy is assured. If industry fails, it might well sound the death knell of capitalism and free enterprise.

That, gentlemen, presents to us the greatest challenge and the greatest responsibility that have ever confronted us. The problem is tossed squarely into our lap. Industry's success or failure in solving this problem of reconversion will be determined largely by how effectively the sales executives of the nation perform their task in this post-war era into which we are now entering.

The Achilles heel of industry is our ability to create a sustained consumer demand. It is the one point where industry is highly vulnerable. It is more than salesmanship, if you think of salesmanship merely as the task of getting Madame Pasquali to trade in her old washing machine for a new and shiny model. We must create and sustain such a desire for goods that we will steadily increase consumption, move the products to consumers efficiently and at the least possible cost, and thereby raise the standard of living that will permit high wages and large production.

This means that we must build up the enormous post-war market that has been so freely predicted, and maintain it through the years to come. In 1929, with a national income of 83 billion dollars and consumer expenditures of 71 billion dollars, we had reached a level that was not equaled until 1941, the year we entered the war. That year, with a national income of 97 billion dollars, marked the real beginning of the sharp rise which has continued. Last year, according to the Department of Commerce, our national income was 161 billion, with consumer expenditures of 98 billion dollars; which compares with 43 billion dollars consumer expenditures in 1932, and 66 billion dollars in the last prewar year, 1940.

In order to sustain American industry and provide adequate employment, we must hold up our national income and consumer expenditures to levels that come at least close to those of these wartime boom years. But this time, gentlemen, we must do it without the aid of the enormous Government deficits which financed the war; we must do it from the sale of goods to consumers.

Industry Has Ability to Produce

Industry's ability to produce has expanded enormously, although just how much is still anybody's guess. I can be more specific in talking about my own, the radionics industry. Our capacity, measured in terms of physical productive ability — not in dollars—has been expanded at least four times. In our last prewar year, we produced nearly 14 million radio sets, of which about 11 million were sold, and the remainder carried over and doled out during the first period of the war. This was by a substantial margin our largest year. Market surveys and estimates of the pent-up demand for radios range from an immediately pressing demand for 5 million sets to a normal replacement demand, based on previous experience with obsolescence, of from 25 to 40 million sets. If the entire radionics industry devoted all of its energies to the production of new sets, we could satisfy the most optimistic estimates of consumer demand within a year. Fortunately, however, there are so many new war-born uses for radionic equipment that even with our enlarged capacity, industry leaders believe that sales-minded management can keep our factories humming.

Since the financial collapse of 1929, our political differences in the United States have been largely a struggle between two diametrically oposed schools of thought.

Prove Superiority of Private Enterprise

One group believes that the American system of private capitalism is utterly inadequate today. They say, some in all sincerity, that our economic pattern is too complex to be handled except by central authority. They say that only a Government-controlled, planned economy can assure equitable distribution of the products our industrial plants are able to turn out in such profusion.

We who are assembled here today hold an entirely different view. We believe that the competitive system of free enterprise developed in the United States did more to improve the common lot of humanity than any political or economic system that has ever been devised.

We recognize that serious mistakes have been made under our capitalistic system in the past, and that more will be made in the future. However, the record of human life in the United States—and incidentally in the colonies administered by the United States—shows a greater respect for the rights of the individual and a degree of prosperity and security for the entire population that has never been approached elsewhere. We believe that preservation and orderly development of our free enterprise system will insure a higher degree of prosperity and happiness for Americans than will any other system. But gentlemen, it is up to us to prove it—up to us to make this system work. It is fortunate indeed that we have before us the prospect of several years of good business during which we can solve our fundamental problems.

Industry on Trial

There is no question in my mind but that industry is on trial today as it has never been before. Unless we get our wheels rolling, and provide the millions of permanent jobs that are needed, we may never have another chance. The Socialist-minded boys will say, "See, you have failed again, just as you did in 1932. You can't and won't take up the slack. Government must come to the rescue."

In my opinion, the time we will be allowed to prove our case is not unlimited. Industry is being given its chance right now to keep the nation's pay envelopes filled. If industry produces employment and builds a standard of prosperity greater than this nation has ever seen, well and good; if industry falters, if unemployment shows signs of becoming chronic, then the Government will step into the picture.

Should that happen, it will mean Government spending projects that will probably pale the billions spent on the New Deal-made work program to the appearance of the petty pork barrel appropriations that scandalized our grandfathers. It will mean a perpetual tax burden of unprecedented severity, and a continual growth of Government regulation and planning forced on nearly all businesses. Call it what you will, the net result will be to force upon us the very conditions which we fought this war to prevent.

We must not ignore the seriousness of our problem, nor lull ourselves into a state of false security by quoting statistics of bulging bank accounts and accumulated purchasing power. The five or six or seven million people who have lost their jobs in war plants are more than just a rising curve of unemployment on a chart. The millions of boys coming home from war are more than just a bunch of returning vets hoping to find jobs.

No, the millions of unemployed war workers and veterans are millions of individual Joe Smiths, Pete Harrises, and Tomaso Carrideos. Each has his own ideas, each has a vote, each has been subjected to a most terrific propaganda campaign that promised the world and all around it to the "forgotten man." For each of these men who wants a job, industry must provide; otherwise he will look to the Government for it or at least, the compensation a job would provide.

Another thing to remember is that each discharged war worker received a sharp lesson in thrift by the very suddenness with which his well-paying job was atomized out of existence. Millions of workers are, for the first time in their adult lives, entirely free from debt, with a little nest egg of bonds or money in the bank. Their savings represent accumulated purchasing power, it is true, but most of them are going to hold tight until they see that opportunity for work is opening up. So you can't count on these accumulated billions as funds to come clamoring to your door to be spent.

For that matter, it is not only the temporarily unemployed who have had a lesson in thrift. I daresay that there is not one person in this room who has failed to note the surprising durability of our automobiles, radios, washing machines, typewriters, and other devices when we are forced to keep them in service without replacement. Until this war I had never in my life owned the same automobile more than two years. My pet car is now five years old.

In my opinion, these factors add up to give a far different picture than one of customers crowding each other out of line in their frantic rush to buy what each of us has to sell. Many an automobile has given its last gasp, and many a radio has been turned over to Junior for demolition. But there are millions upon millions of theoretically obsolete appliances, vehicles, and other mechanical devices that are still going strong. Now that the madly stimulating psychology of war has run its course, the Joe Smiths and Pete Harrises are going to think a second time before committing themselves to the heavy expenditures they so blithely discussed with makers of market surveys. With their lessons in thrift fresh in mind, they are going to take another look at that still serviceable car or washing machine before digging into their savings to buy something that is labeled "post-war."

A Terrific Market Ahead

I realize that this may sound unduly pessimistic, but it is not meant that way. There is, of course, a terrific market ahead for each of us. First, is the real pentup demand, as distinguished from the estimates that have been deduced by crystal-gazing theorists. There are homes without radios, people in urgent need of new automobiles, and pressing demands for all of the things that we have done without for so long. But this urgent, pressing demand is, in my opinion, a mere fraction of what the theorists have predicted.

The real market, the volume market, is the one represented by the millions of Pete Harrises and Joe Smiths who are waiting to see what happens. But Pete and Joe are not standing in line to buy your goods, nor will they stand in line. Pete and Joe will have to be sold, and that is going to require real salesmanship.

While analyzing this phase of our problem, let us consider for a moment that much advertised bogey-boo, inflation. How in the world can there be sustained inflationary buying in a country with the tremendous productive capacity we have demonstrated? Inflation happened in Germany after the last war because the Germans were an importing nation; and it happened here to a certain extent because our industrial expansion had barely begun when the Armistice was signed. Demand for goods exceeded productive capacity.

How different are conditions here today! Our production capacity is at an all-time high. During the past five years, under the impetus of war, we turned out a volume of heavy goods that surprised us all. In 1942, with millions of men in the army, our output was 121 billion dollars, double that of 1939; and by last year, it had grown to 156 billion dollars.

I believe that our manufacturing potential and ingenuity has increased far more under the pressure of war than most people realize, that within a very few months our factories will be pouring forth such a flood of merchandise that shortages will disappear as rapidly as cigarettes came up from beneath the counter last month. When that happens, there will be no need to worry about inflationary prices.

The so-called law of supply and demand will go to work on manufactured goods as it already has on food. Here are two homely examples of the latter given to me by the boss of our household: In August, canning peaches were $4.50 per bushel in Chicago, as compared to $3.50 a year earlier; three weeks later they sold for $2.95. In August it was difficult to buy beef in Chicago at any price; last month porterhouse steak retailed for less than 40 cents a pound, while hamburger had dropped to a pre-war quarter. The same thing will be true in industry; all that we at Zenith need to keep our prices in line is the hot breath of Philco on our necks. I daresay that the same thing is true for virtually all other manufacturers.

Problem in Laps of Sales Executives

It is my considered opinion that the period when people will buy anything is to be exceedingly brief, and that within a relatively short time we are going to be in a fiercely competitive market. And that, gentlemen, is why I say that the problem of America's future has landed squarely in your laps as sales executives.

You are the vitalizing force, the yeast in the dough, the spark plug in the engine, the detonator of the atomic bomb. If you meet the challenge successfully, you will launch a golden era for all humanity that will go further toward healing the wounds of this poor old world than all the international conferences that have ever been held. But, unless the products that industry knows so well how to produce are sold as they have never been sold before, there won't be any jobs in private industry for Joe Smith and Pete Harris. If Joe and Pete can't find jobs in industry, they will look to our benevolent Uncle Sam. That, in turn, will mean that industry must purchase its customers by assuming a tax burden that industry cannot bear. You all know what that did to us, and to the people that Government planning was meant to help, during the dreary '30s. And you know what governmental solution of unemployment did to Europe, and thence to the whole world!

I repeat, the Achilles heel of industry today is our ability to create consumer demand, not today but tomorrow, next year and the years after. In all other respects, industry is good, or better than good. Compared to even five years ago, our technological skill is phenomenal. Our engineers can design magnificently; our factories can produce with incredible efficiency. Our mastery of the physical problems of distribution is superb. Last year, when selling was not a problem, we manufactured and shipped merchandise to the value of 156 billion dollars, nearly three times our output in 1939. Next year, when everything we manufacture must be sold, what will our volume be?

In my opinion, salesmanship is the phase of business that has been most severely neglected, not only during the war years just ending, but ever since our orgy of financial insanity brought calamity in 1929. In fact, I believe it is fair to say that there has been little real building of salesmen in the country since that tragic Black Friday. During the '30s we did not develop young salesmen; we were hard pressed to keep the older ones. During the '40s, thus far, we have been in a sellers market and, of course, the young men have been in the Armed Forces. Seriously, how many young men have been trained during the past 15 years?

It is natural that during the war the emphasis of industrial management has been on production. In war industries there was but one customer; in others, that could still produce for the civilian market, the only problem was getting the merchandise manufactured within the price limits set by OPA. One result is that many a manufacturer, newly born or vastly expanded by war, is innocently stepping into a competitive situation with no experience in large-scale sales organization. Another is that even many established prewar sales organizations have forgotten much of their competitive experience.

In other words, one important job of reconversion yet to be done must be between the ears. Management must become sales-minded, or be lost in the shuffle. It is a case of sell goods or die, and if enough companies die, it will mean death to something else: our free enterprise system.

On a national basis, success or failure will be determined by results in the field of durable consumer goods. If we sell enough automobiles and radios and washers and refrigerators, we will pace the entire business activity of the nation to new highs. Then it follows, to paraphrase Polonius, as the night the day: Machine tools, factory buildings, homes, sewers, farm machinery, utility construction, and all of the complex operations of an expanding economy will be in heavy demand if the output of heavy consumer specialties is heavy enough.

Let's take a brief glance at what happened in the years following the last war. It will illustrate my point, for during that period aggressive selling paced the entire industrial life of America to new levels that have never since been attained in peacetime.

In 1914, the last year of our sleepy, peaceful prewar existence, the value of all goods manufactured in the United States was 23 billion dollars. My figures are from Department of Commerce statistics. In that year, manufacturing establishments maintained about seven and one-half million workers; salaries and wages aggregated nearly five billion dollars. These were the nation's basic customers, not only for the goods they produced, but for farm products, professional services, etc., etc.

Then came the war. By 1919, the value of manufactured goods had more than trebled, to reach a total of nearly 60 billion dollars. Employment in industry approached 10 million; salaries and wages were more than 12 billion dollars. Then came the "buyers' strike" of 1921, brought on by industry's senseless policy of overpricing, and a drop in product value to 42 billion dollars. Employment and wages fell off proportionately.

The depression was brief, and was followed by a steady rise in industrial activity. In 1925, industry was producing at a rate greater even than the war year of 1919, with an output of 61 billion dollars. By 1929, this had reached 68 billion, a higher figure than industry under the Roosevelt Administration was able to attain until 1941, the year we entered the war.

Now, let us see what happened in the field of heavy consumer specialties during those golden '20s. This was the decade of the automobile, of expansion in the electrical industry, of specialty selling that has not been equaled in our history.

Automobile production increased in value from 500 million dollars in 1914, to more than two billion in 1919. It dropped to a billion and one-half in 1921, bounced to three billion in 1923, and with one relapse while Ford retooled in 1927, climbed steadily to three and three-quarter billions in 1929. During that year the automobile industry accounted for half a million jobs with salaries and wages exceeding 800 million dollars.

Electrical machinery and supplies, which included at that time the radios and appliances now classified separately, exceeded the automobile industry in rate of growth. Value of product increased from 330 million in 1914 to two billion, three hundred million in 1929, with a like growth in workers and payrolls. Washing machine production grew from eight million dollars in 1914, to 82 million in 1929; phonographs from 27 to 97 million. And so it went.

It is true that many of these sales were financed by paper profits, that we over-extended ourselves in time payments, that there were many unsound financial practices which later took their toll. But, and this is extremely important, these deadly factors did not enter the picture until about 18 months before the crash, and from 1923 through 1927, our factory output exceeded every year in the following decade but 1937, the year of the "we planned it that way" boom that collapsed so quickly.

Gentlemen, conditions today, except for our terrific debt, are more favorable than they were in 1919. Industry has better physical equipment, personal and corporate finances are in better shape, we have a larger potential demand. Moreover, our financiers have learned much from what happened in 1929, and there is a reasonable hope that we can avoid the pitfalls that tripped us then. Business should be able to cash in on these favorable factors with sound long range sales planning.

Management must quickly become sales minded. Intelligent and aggressive promotion must be given to the new industries that are looming on the horizon. Some of these industries will collapse under competition like a snowman on the first bright warm day of spring. Others will grow and advance to fill new consumer needs, and in so doing, will increase employment. In my own industry, we have a number of very promising consumer products. Among these is that much discussed engineering baby, television. None of us knows when and how television will assume the giant stature that has been promised for it for so many years. Unquestionably, it is ready from a technical standpoint. Its major hurdle is economic, and that, gentlemen in the final analysis, is a problem that is up to us. When we figure out an answer to the economic problem television will provide a great market for the radionics industry.

In looking to other industries, I am of course impressed by the tremendous potentialities that chemistry has developed. Plastics are on the threshold of enormous expansion in consumer goods industries. Then there are frozen foods. Is the day approaching when all of us will live from our deep freeze chest? What a bonanza that would be for manufacturers of refrigerating equipment, and what a problem for the producers of canned fruits, vegetables, and meats.

I mention several of these new industries not only as recognition that the American practice of obsoleting existing products with new ones will obviously continue but more importantly we, as sales executives, must create the maximum demand for these new products.

When management again becomes sales minded, we will see a change in advertising. For one thing, much of the war sponsored breast-pounding is going to vanish, in favor of copy and illustrations that will sell merchandise. You probably have seen ads about the bolt that won the war because it was used on a machine that made a gadget that tested a part that was used on a bomber. Most of us have been guilty of pointing with pride to our own achievements, instead of devoting honest thought to ways and means of increasing public demands for our products.

Another thing to consider is the changing retail market situation. There is, in my opinion, danger of creating far too many retail outlets. Without any thought of restricting free enterprise, it certainly is the duty of management to limit its number of dealers sufficiently to insure each a fair opportunity for success. Without market analysis and sound planning, we could have too many retail failures.

Another problem is pricing. In this day of overwhelming demand, some organizations may be tempted to over price in an attempt to skim off cream while the skimming is good. This is, in my opinion, a most dangerous policy. It was the fantastic price structure of 1921 that led to the buyers' strike. The collapse that followed was painful, even though short-lived, and it must not be repeated.

These are but a few of the problems and possibilities facing us. Time does not permit elaboration. I have mentioned these few merely as indicating the task before us. I, personally, have every confidence that American industry with the same qualities of determination and ingenuity that contributed so greatly to recently won victories will meet these peacetime issues with equal success.

With American industry's ability to produce, and the desire of this country for an ever increasing higher standard of living, it is our responsibility as sales executives to see to it that American industry remains even stronger than was Achilles, by eliminating the last point of vulnerability.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

Purchasers of Government Securities continued to show a preference for the longer term obligations, although an improved tone is in evidence in the note and certificate market. . . . The ineligible bonds showed further improvement, which is attributed to the restrictions on purchases by insurance companies and savings banks in the coming Victory Loan. . . . While most of the large institutions do not seem to be affected much by these new regulations, some of the intermediate and smaller ones have had their buying power, in the coming drive, curtailed substantially. . . .

As a result selling that would ordinarily take place to make room for the drive issues has been eliminated by the new rules. . . . This along with some buying of the outstanding obligations has helped the market for the restricted bonds. . . .

PARTIAL EXEMPTS FIRM

The partially exempt obligations have been firm to better following approval by the House of the new tax legislation. . . . It is still believed in some circles that the recent change in surtaxes will be eliminated along with excess profits taxes. . . . If surtaxes should be lowered, it would have a favorable effect on these bonds, which are still being advised for purchase by institutions that have need for tax protection. . . . The most attractive issues are the longest maturities in this group. . . .

MARKET LEADERS

The bank eligible taxable securities were among the leaders in the market, with the 2½% due 9-15-1967-72 again in demand, and showing the largest advance, although not yet going through to new highs, as did some of the other issues in this group. . . . The 1½s due 1950, the 2% due 1951-53, 1951-55, the 2s due June and December 1952-54, along with the 2¼s due 1952-55, and the 2½s due 1956-58, all went to new high levels. . . .

While the 2% bonds will probably move up from present prices, it is indicated that these securities do not have the same price appreciation possibilities as do the 2½s due 9-15-1967-72.

As a result the longest bank eligible bond now seems to be the most favored obligation for both income and price enhancement. . . .

"NORMAL ADJUSTMENTS"

The Treasury has again requested that security changes made before and during the Victory Loan be confined to "normal portfolio adjustments". . . . With the 2% taxable bonds at present levels the question is raised whether institutional holders of these securities could not justify the sales of these bonds, with the proceeds to be used to purchase the new drive issues, as a "normal portfolio adjustment". . . . It is believed in some quarters, that many valid reasons can be put forth by institutions owning the 2% taxable issues, why these bonds should be sold, which might be acceptable to the Federal authorities. . . . It was pointed out that the market could use a somewhat increased supply of these bonds without having any appreciable effect on prevailing prices. . . .

Also as it becomes more evident that the Treasury will confine its sale of marketable issues to the commercial banks, to low coupon short-term obligations, the demand for medium term issues with a somewhat higher rate of return will be very great. . .

In order to prevent the market price for such obligations from going too high, an increase in the floating supply would be a good thing for the market since it would tend to temper the price rise. . . . At the same time institutions would be in a position to increase their income since they would be selling a 2% bond at a substantial premium with the proceeds to be invested in a 2¼% or 2½% obligation at 100. . . .

WHAT TO BUY?

Since commercial banks with savings deposits will be allowed to purchase directly limited amounts of the Savings bonds and the marketable issues, during the Victory Loan, there is considerable discussion as to whether these institutions will be attracted more to the 2¼s or the 2½s. . . .

The 2¼% due 12-15-1959-62 will be eligible for commercial bank purchases after the drive, on Dec. 15, 1952, whereas the 2½% due 12-15-1967-72, cannot be bought by these institutions again, until Dec. 15, 1962. . . .

In the Fourth War Loan, the last drive in which the commercial banks were allowed to purchase both a 2¼% and a 2½% restricted obligation the largest commitment by these institutions was in the 2¼% issue. . . . At the time of the offering of these two restricted bonds to the deposit banks the 2¼% obligation had slightly more than two years and seven months to run before it would be available for purchase by these institutions. . . . In the coming drive the 2¼% bond that can be taken on directly by these institutions cannot be bought in the open market for seven years. . . . Undoubtedly the longer period of time that must elapse before the 2¼% due 12-15-1959-62 can be bought by the commercial banks does not make this bond as attractive to them, as was the 2¼% due 1956-59. . . .

PAST PERFOMANCE

Nevertheless, as the 2¼% due 12-15-1959-62, approaches Dec. 15, 1952, and with money market conditions unchanged, the market action of this obligation should not be dissimilar to what has taken place in the 2¼s of 1956-59. . . . The latter obligation has advanced about 4⅜ points since it was offered in February of 1944, with more than 3½ points of this rise coming since the end of last year. . . .

With slightly less than a year to go before it is eligible for commercial bank purchase and with possible appreciation from present levels of a point, the 2¼% due 1956-59 has been a much better buy for the commercial banks than has been the 2½% due 3-15-1965-70. . . .

The latter bond has moved ahead from its offering price of 100 by about 1⅝ points. . . . The loss in income through the purchase of the 2¼% bond instead of the 2½% obligation has been more than made up in price appreciation. . . .

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Spitzer, O'Neil & Co. To Open November 1

Spitzer, O'Neil & Co. will open offices at 120 Broadway, New York City, as of November 1st. Partners of the new firm will be Robert Spitzer, member of the New York Stock Exchange, Edward F. O'Neil, general partners, and Benjamin J. Friedman, limited partner. Mr. Spitzer has been doing business as an individual floor broker; Mr. O'Neil was with L. F. Rothschild & Co.

Gale, Bishop & Co. to Be Formed—New NYSE Firm

Gale, Bishop & Co. will be formed with offices at 115 Broadway, New York City, as of November 1st. Partners will be Alexander B. Gale, Allen R. Bishop, Henry Goldman, Jr., all members of the New York Stock Exchange, general partners, and Clara Belle White Gale, limited partner.

J. H. Brooks Dies

John H. Brooks, founder and senior partner in the New York Stock Exchange firm of J. H. Brooks & Co. with offices at 25 Broad Street, New York City, and in Scranton, Pa., died after a long illness. His home was in Scranton, where he was born 73 years ago.

Mr. Brooks was graduated from Princeton University in 1895. As a young man and later he was interested in the coal business and in 1905 formed the brokerage firm bearing his name.

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The Securities Salesman's Corner

By JOHN DUTTON

Something That Looks Simple To You May Not Be So To Your Customer.

Sometimes we are prone to over-estimate a customer's knowledge of the finer points of investment procedure. This is usually caused by the fact that the things we are thinking and doing day after day (as professionals in the security business) become so natural to us that often we forget that the rest of the world isn't interested in the same things that attract our attention.

Take taxes for instances. Who would think that a successful business man, the head of a large corporation, and the owner of a substantial portfolio of securities, would not be up-to-the-minute on the simple matter of the capital gains tax and how it works. There are many who are not familiar with the ins and outs of this tax. That's why its important to know these things—as fundamental and as simple as they appear to you, the general public isn't so well informed.

Here's a case in point. A profit sometimes should be taken. The investor to whom we have referred in the foregoing paragraph had a big one and his salesman thought it was time to cash in. The customer said, "That's fine, I didn't think I had such a big profit in those bonds." "But I don't want to take it, I've made too much money already this year."

The salesman was ready for this sort of an objection. He pulled out his card and noted the date that the customer had bought the bonds and found that he had held them over six months thereby putting him in a position to avail of the benefits of the capital gains tax. He thus showed the customer that he would only have to pay about half as big a tax on his profits as he thought would be the case. He then showed that the capital gains tax only amounted to about 4½ points on the bonds that he was advising the client to sell. He pointed out that they were reaching a point where a reaction might logically be expected and at the best, only a slight improvement in market price could be achieved. After this logical explanation the customer was satisfied that it was good investment logic to take the profit and pay the tax.

Simple as A.B.C. to us—not so simple to a lot of people. The same thing holds true all the way down the line. Imagine, if you will, that the majority of people would all of a sudden find out, AND KNOW AS MUCH ABOUT THE SECURITIES BUSINESS AS YOU DO. What a fine mess that would be. That's why it's important that we have securities salesmen to sell securities, doctors to sell medicine, lawyers to sell legal assistance, engineers to sell scientific skills, and politicians to sell us government. This is an age of specialists—let's not forget it. Knowing our business is important—it's the only way we can best serve the public, the national interest and ourselves. But let's not talk down to anybody—let's make it simple—plain, everyday, talk that anybody can understand. And don't forget that you know a lot more about the investment business than the majority of people with whom you come in contact—that's the way it should be—SO DON'T ASSUME TOO MUCH WHEN YOU ARE TRYING TO MAKE A POINT—remember the next fellow may be a good engineer, and that's his business. Selling securities is yours.

Newkirk & Co. Formed In New York City

Formation of Newkirk & Company, Inc., with offices at 60 Wall Street, New York City, is announced by Louis H. Newkirk, Jr., President. Mr. Newkirk, recently discharged from the Army, served as Captain in the Engineers Amphibian Command, and later in the office of an Impasse Panel for Renegotiation. Upon his entry into military service, Mr. Newkirk dissolved the old firm of Newkirk & Company which had been active for six years.

The company will act as primary underwriters and agents of close corporations and will transact a general securities business.

Other directors are: John F. Russell, Jr., Paul T. Iaccaci, B. L. Maas, Max Nydeggar, and L. Hasbrouck Newkirk.

Formation of Newkirk & Company was previously reported in the "Financial Chronicle" of Aug. 16th.

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Catharine Pres. of N. Y. State Savs. Banks Ass'n

Robert M. Catharine, President of the Dollar Savings Bank, was unanimously elected President of the Savings Banks Association of the State of New York at the Association's 52nd Annual Meeting at the Hotel Biltmore. He succeeds Myron S. Short, President of the Buffalo Savings Bank, who has served in that capacity for the past three years.

Robt. M. Catharine

Mr. Catharine is also Chairman of Group IV, Savings Banks Association, trustee of the Savings Bank Life Insurance Fund, member of the Council of Administration and Executive Committee of the National Association of Mutual Savings Banks and a director of the Bank of Manhattan Company. He became Comptroller and a trustee of the Dollar Savings Bank in 1936 and has been President since 1941.

He is an active participant in many civic affairs, having served as Chairman of Bronx County of the Greater New York Fund this year and Treasurer for the county for the American Red Cross. He is also a member of the Presbyterian Hospital Association.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Charles M. Clark, Jr., member of the Exchange, a limited partner in Charles Clark & Co., will become a general partner effective October 31st. Clayton Snyder, Exchange member, and David A. Pincus will retire from the firm as of the same date.

Dorsey A. Buckley, limited partner in Buckley Brothers, Philadelphia, will become a general partner, effective Nov. 1, 1945.

Henry A. Rudkin, general partner in J. R. Williston & Co., New York, became a limited partner effective October 1st.

Privilege of C. Frank Fackrell to act as alternate on the floor of the Exchange for Joseph H. Brown, Reynolds & Co., was withdrawn October 9th (this was approved but did not become effective).

Privilege of H. Gerard Moersdorf to act as alternate for Aloysius R. Thumser of Vilas & Hickey, New York, was withdrawn on October 6th.

Privilege of William T. Maddox, Jr. to act as alternate for William E. Hutton of W. E. Hutton & Co., New York, was withdrawn on October 13th.

Privilege of George Snedecor Jr. to act as alternate for Vincent H. La Frence of J. Robinson-Duff & Co. will be withdrawn October 22nd.

Transfer of the Exchange membership of Roy R. Coffin to Myron Simons will be considered by the Exchange on Oct. 25.

Ernest B. Armstrong, partner in Davis & Davis, Providence, R. I., died on October 5th.

Robert Winthrop to Admit

Robert Winthrop & Co., 20 Exchange Place, New York City, members of the New York Stock Exchange will admit Walton W. Cox to partnership in the firm on November 1st.

The Sterling Problem

(Continued from first page)

The Sterling Area

The sterling area came into existence as a defense against depreciated currencies and a disintegration of the international gold standard before the war. During the war, the sterling exchange control has developed somewhat within the former sterling area and added greatly to its adherance. The area has now acquired a statutory definition and understanding. It has become one of the essential means of defense for sterling. It is used openly for canalizing trade. It provides the means of discrimination in trade and in directing the flow of capital to and from the various members of the area. In the Bretton Woods debates, it was made clear that there is a very strong body of opinion which wishes to preserve the sterling area in its present form and with its present powers. There is an equally strong body of opinion which feels that the sterling area is a menace to the trade of other countries and that the Bretton Woods Stabilization Fund has no chance of succeeding in a world in competition with the present sterling control. The present sterling area control is an instrument of economic warfare. As pointed out by the London Bankers, it opens the door to unwilling markets. It has spiked fences to keep unwanted goods from unwanted sellers out of the Empire market.

The sterling area and sterling are historical traditions in international trade. Countries adhering to the sterling standard have found it desirable to keep the bulk of their exchange reserve needs for current trade in London and also to keep in London the required reserves as backing for their domestic currency. These reserves are kept as sterling balances usually invested in short-term London assets. This sterling arangement has a flexibility which the maintaining of actual gold reserves does not have. The sterling area and the sterling standard acquired a sort of a formal basis with the monetary resolution of the Ottawa Conference of 1932. This resolution defines the general aims of the monetary policy within the sterling area as being the stability of sterling prices. The Ottawa system of Imperial preference was one strong factor in binding the Empire countries to the currency alliance. Another strong factor was the two-way financial relationship of most of the member countries to the United Kingdom. Another forceful imperative was the uncertainty, chaos, and undependability of any alternative for stability of the exchanges. The devaluation of the American dollar in 1933 had been a hard blow to the confidence of the countries holding their international balances in New York.

This step held no promise of stability in the future of the American dollar for those countries which needed a stable international exchange at that time. The stability of sterling within the entire area was a lifesaver for maintaining the stability of the exchanges selling within the area and enabling countries that owed sterling balances to settle them in money at the same price as the debts were contracted.

After the outbreak of the war in 1939, and the depreciation of sterling, many countries were discouraged with the sterling area. At this point, it seems that in order to restore confidence and carry on the necessary trade during the war, a system of sterling exchange control was necessary. The sterling area provided the nucleus and mechanism for this control. Within this area funds can be used freely for the purchase of goods. The exchange control was then developed around the whole sterling area. The participants in the Exchange Pool Agreement formally bound themselves to maintain the voluntary practices of the past, to sell their foreign exchange income to Britain and maintain the whole of their exchange reserves in the form of sterling assets. In exchange for these obligations, member countries were guaranteed by the Pool such hard currencies as they required to pay for essential imports from other countries. These original agreements have been changed to meet special conditions. For example, the agreement was changed in 1944 for India, allowing India to keep a part of her U. S. dollar income.

In the course of the war, however, the growth of the reserves of London funds held by the member countries and the decline of gold and hard currency assets in the United Kingdom have exceeded earlier expectations. These developments have made it necessary so it seems to London Bankers to continue the Sterling Exchange Control.

Just how long this control will need to be maintained depends on how long these excessive sterling balances last. No doubt, this condition was in the mind of Lord Keynes and others when it was incorporated in the Bretton Woods Agreement that a period of some five years might necessarily have to elapse before the ban on "discriminatory currency arrangements and multiple currency devices" becomes operative. In the meantime, England has negotiated sterling agreements with many European and other countries, including Egypt, Belgium, Holland, France, Sweden, Turkey and others.

After several years of these discriminatory practices, can the sterling area be dissolved and the world embrace the exchange arrangements provided for in the Bretton Woods Fund? Or, by that time, will the sterling area arrangements have become so solidified that the monetary stability provided for in the Bretton Woods Agreements will not be needed? It is true that sterling exchanges for sterling within the sterling area much more exacting than provided for in the Bretton Woods Agreements. Within the sterling area, sterling exchanges for sterling exchange. In the Bretton Woods Agreements, monies may be devaluated as much as 10% without notice and as much as 20% with the approval of the Fund. Of course, any such wide fluctuations in exchange would kill trade and certainly no one ever expected this fund mechanism with these privileges to come into existence and live.

Bretton Woods theoretically is dedicated to a freely trading non-discriminatory world. But unless England can solve her present problem of excess sterling debts, the Bretton Woods exchange world is outside of the sterling world and will have to compete with it while, at the same time, being compelled to loan funds freely to members of the sterling area.

Whose Problem?

What is the solution to the sterling problem? Is it England's problem? Is it the problem of the sterling area? Is it the problem of the United States or other countries outside of the sterling area or is it a world problem?

It is claimed by commercial interests in England that we need freer trade with the sterling area just as much as the sterling area needs freer trade with us. It is claimed that England and her monetary management are as important to us as our raw materials and trade are to England. A war between the dollar and other free currencies on one side and the sterling area on the other side would undoubtedly lead to depression and depreciation of the monies all over the world.

The prices of commodities traded on the world's markets have been made in sterling so long that the tradition, in addition to the control of the sterling area, will continue to live. When sterling depreciates in terms of dollars, goods bought and sold in terms of sterling on the world's markets also decline in terms of dollars. The decline in the price of sterling brings a decline in the price of wheat, cotton, wool, tin, rubber, lead, zinc, paper, and many other products. In addition, the decline in these products soon affects all other products even those that are not exportable.

The solidity and stability of the sterling exchange in the sterling area, and its control of a large part of the commercial world is England's ace in the hole in bargaining for American help to bail her out of her present sterling debts.

Solving the Sterling Problem

A large loan to England has been suggested in the United States. According to the press, British representatives do not want a loan. What solution could there be to this problem of sterling debts which would free the exchanges of the sterling area and bring about a stabilization of the exchanges of all countries with a smooth working exchange as practical as that of the sterling area?

If the United States made a gift of several billion dollars to England, would the other countries holding large sterling balances be willing to cancel a portion of their claims? Suppose the United States purchased from other countries several billion dollars' worth of sterling exchange, that would give these countries dollars which they want, then they would buy goods in the United States and other countries where dollar exchange is preferable. England would then lose a part of her market to these countries and in turn she would owe the United States large sterling balances. She could only pay by selling us goods far in excess of the volume of her purchases from us. Has England something else to sell us besides goods in exchange for these sterling balances? Could she sell us some islands, or some other areas, or sources of raw materials which we need? Maybe she could part with some of these islands or sources of raw materials to her other sterling creditors, and thus reduce, if not erase, the present sterling balances. Could we buy rights of way or ports and useful services that we need in world trade? Could we sell the sterling to tourists in the sterling area where Americans and other tourists will spend perhaps a couple of billion dollars a year? Could these sterling balances be invested in the capital-plants, stocks and bonds of the sterling area and sold to investors and speculators who are always willing to venture?

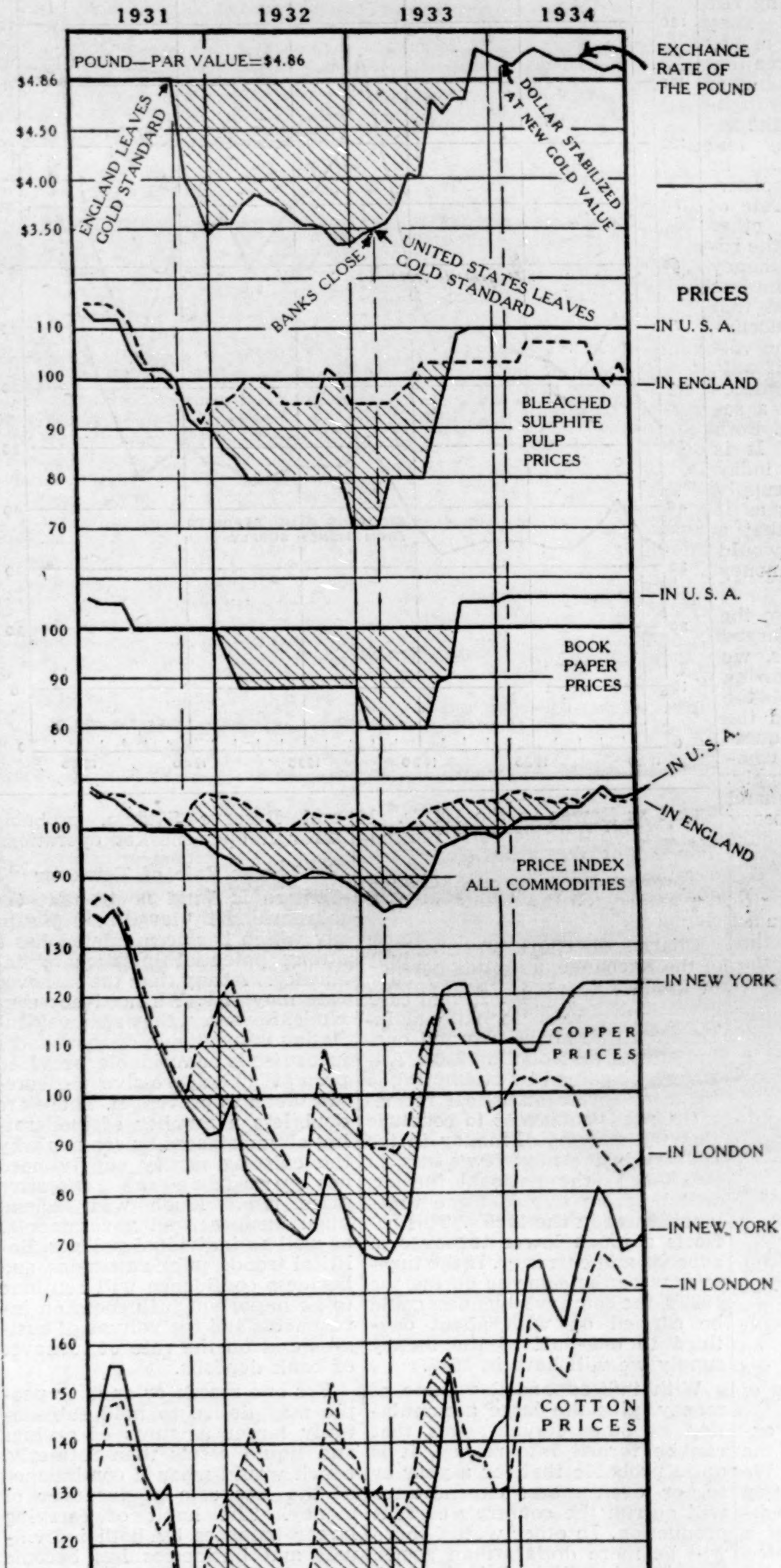
A solution to the sterling problem can be found. Unless a solution is found in time, currency and trade maladjustments will take their course and the economy of the whole world will pay in stagnate markets, depreciated currencies and loss of trade.

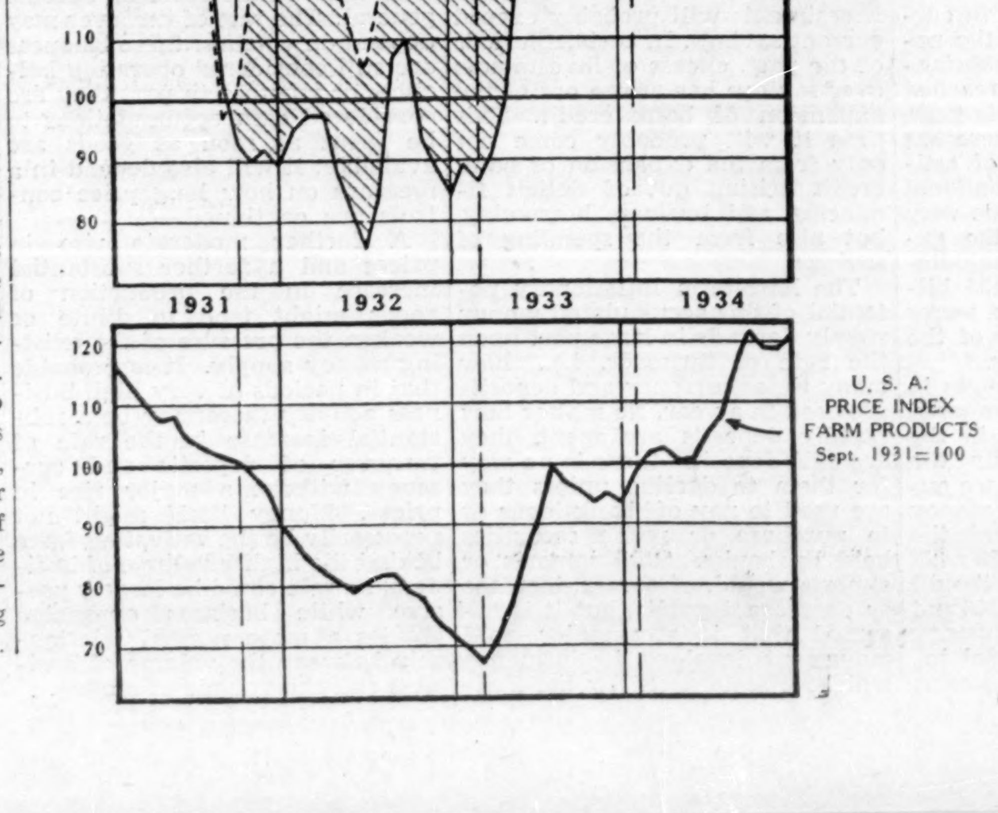
There is no simple solution to the sterling problem. While it is a serious problem for England, it is also a serious problem for the United States and the rest of the world as indicated, by the prices of commodities when sterling declines, on the accompanying charts, compiled by Walter A. Starr.

Some Examples Showing the Effect on Prices in the United States of Variations in the Exchange Rate of the Pound

VARIATION IN THE EXCHANGE VALUE OF THE POUND in terms of dollars which caused

VARIATION IN PRICES in per cent of the prices existing immediately before England left the gold standard, September 21, 1931; for the years 1931 to 1934 inclusive.





▨ *Shaded Areas Represent the Extent of:*

1. **DEPRECIATION OF THE POUND,** in terms of dollars, below the par rate of $4.86, after England left the Gold Standard, September 21, 1931.
2. **DEPRESSION OF PRICES IN THE UNITED STATES** below prices prevailing in the world market, resulting from the depreciation of the pound.

PRICES IN U. S. A. ———— **PRICES IN ENGLAND** - - - - - - - -

Source of Schedules of Prices, from which percentages were computed for the charts: Standard Statistics; Board of Trade Journal, London; Federal Reserve System; U. S. Pulp Producers Association.

These charts show the relationship between the fluctuations in the dollar value of the pound and the dollar prices of commodities in the United States.

When England left the Gold Standard, prices in the United States declined along with the dollar value of the pound. When the United States left the Gold Standard, and neutralized the devaluation of the pound, prices advanced along with the dollar value of the pound.

The price trends of particular commodities shown by the charts are given as examples of what happened generally in the United States during this period.

CHEMICAL WOOD PULP

The effect of depreciated Sterling Bloc currencies on U. S. industries whose products are on the free list is here shown in the case of a chemical pulp.

Production of chemical pulp in the U. S. A. for 1938 was 4,650,000 tons, imports were 1,552,000 tons. Most imports come from Norway, Sweden and Finland whose currencies followed the pound. Since there is no import duty, keen competition exists with manufacturers in these countries, who operate with cheap labor and also have the advantage of low ocean freight rates due to the low wages paid on the foreign ships which carry their products to American ports on the Atlantic and Great Lakes.

The chart of prices records sales of foreign pulp in U.S.A. and England. In 1932 the Scandinavian manufacturer was receiving a higher price in his own money when selling in New York at $40 per ton than when selling in 1931 at $50 per ton. The price of domestic pulp followed the price of imported pulp until the latter was reduced to $35, which was not met by United States producers because they were already selling far below cost at a price of $40.

Prices in the United States recovered in 1933 as the dollar value of the pound recovered.

PAPER

Paper manufacturers in the United States are protected by an import duty on paper. Nevertheless prices declined and recovered with pulp prices, imports increased, and profits in the operation of this important industry largely disappeared or became losses.

Many industries having tariff protection were affected in a similar way by the competition of foreign imports which were offered for sale in our markets at lower and lower prices due to the depreciated foreign currencies. Depreciating the dollar value of the pound is the same as lowering our tariffs.

PRICE INDEX — ALL COMMODITIES

The index level of all commodity prices in England during the period of pound devaluation from 1931 to 1933 averaged several points above the level prevailing at the time devaluation started in September 1931. But during the same period, as a result of the depreciated pound, the price index level of all commodities in the United States declined fifteen points below the level prevailing in September 1931. Recovery of prices in the United States started when we left the Gold Standard in March 1933. Our prices advanced in step with recovery in the dollar value of the pound and returned to the level of September 1931 in November 1933 at the same time that the dollar value of the pound returned to par.

COPPER

Copper prices had declined from the highly inflated price of 18 cents per pound, New York, in 1929-30 to 7¼ cents per pound on September 1, 1931, which was below the cost of production for all American producers. But foreign competition under conditions created by a depreciated pound finally drove prices down to the extremely low level of 4⅞ cents by the end of 1932. Prices recovered to 9 cents in 1933 when the exchange rate of the pound returned to par.

At this time new low cost production came into the world market from Africa, and in 1934 Congress placed an import excise tax of 4 cents per pound on copper to protect the American producer, which accounts for a part of the spread between American and English prices at the close of 1934.

COTTON

The Cotton Crop of the United States picked in the autumn of 1931 was very large—over 17,000,00 bales. Prices declined from around 10 cents per pound early in the year to the very low price of 7 cents by September 1st, largely due to this over-production.

The crops of 1932 and 1933 were much less—around 13,000,000 bales, and world prices valued in pounds advanced from the low price of 1931. But dollar prices in the United States went to lower levels, reaching a low of 5¼ cents per pound in 1932.

Rapid price recovery came in 1933 along with the recovery in the dollar value of the pound.

Effect of Variation in the Exchange Rate on Prices of Farm Products.

The deflation of world prices during 1930 and 1931 had reduced the prices of farm products to low levels when England left the Gold Standard in September, 1931. Thereafter, prices in the world market quoted in pounds remained quite stable at these levels, while prices in the United States quoted in dollars continued to decline as the exchange value of the pound declined.

The loss of agricultural buying power, due to the ruinously low prices prevailing, seriously added to the depression of industry.

Recovery in prices started when the United States left the Gold Standard in 1933 and prices advanced along with the dollar value of the pound.

Our surplus production of agricultural products must be sold in the competitive world market, and the prices received for the surplus largely determines prices for the much larger amount sold in our domestic market, (unless protection is given by such means as "export subsidies" to artificially increase domestic prices.) Prices of our farm products are therefore very sensitive to changes in the exchange rates of foreign currencies as they translate into dollars the prices received for our surplus production, sold in terms of foreign currencies.

The advance in agricultural prices during the second half of 1934 was due to drought, resulting in very short crops and higher world prices.

Compiled by Walter A. Starr, San Francisco, Calif., May 9, 1939.

The Threat of Inflation

(Continued from page 1818)

plus supply and in some of these cases there may be some tendency for prices to decline. However, the broad inflationary forces that affect prices generally will be more powerful than the special factors affecting individual products.

There are four rather potent inflationary forces which will be at work during this period. They are: (1) The large money supply, (2) heavy deferred and potential demands for goods, (3) labor costs, and (4) Government spending and monetary policies.

The Money Situation

The first and perhaps the major inflationary force is the tremendous accumulation of money and other liquid assets which can be turned into money. The following table shows that the liquid-asset holdings of business and individuals rose from $66 billion in 1939 to about $210 billion in the middle of 1945, an increase of $144 billion. The liquid assets shown here include currency, demand deposits, time deposits, and United States Government securities, about one-half of which are now savings bonds.

*LIQUID-ASSET HOLDINGS OF BUSINESS AND INDIVIDUALS
(In billions of dollars)

	1939 Dec. 30	1945 June 30	Increase
Currency	6	25	19
Demand deposits	21	57	36
Time deposits	26	43	17
U. S. Government securities	12	85	73
Total	66	210	144

*1939 figures from June 1945 **Federal Reserve Bulletin**, p. 533. 1945 figures are estimates based on end of 1944 figures in same bulletin. Due to rounding the figures do not always add to totals shown,

In addition to the above figures, there are substantial additional holdings of liquid assets. On June 30, 1945, for example, the Federal Government had demand deposits of about $24 billion and a like amount of Government securities in various trust accounts and agencies. Furthermore, state and local governments on the same date held over $10 billion of cash and Government securities, a substantial part of which may no doubt be used for public works, improvements, and other outlays. If we should add to the totals shown in the table above, the deposits of the Federal Government, which are being rapidly converted into ordinary business and individual deposits, and the cash and Government holdings of state and local governments, it would bring the total up to $244 billion at the middle of 1945 as compared with about $71 billion at the end of 1939, an increase of $173 billion. The liquid assets of miscellaneous holders would increase those figures considerably more.

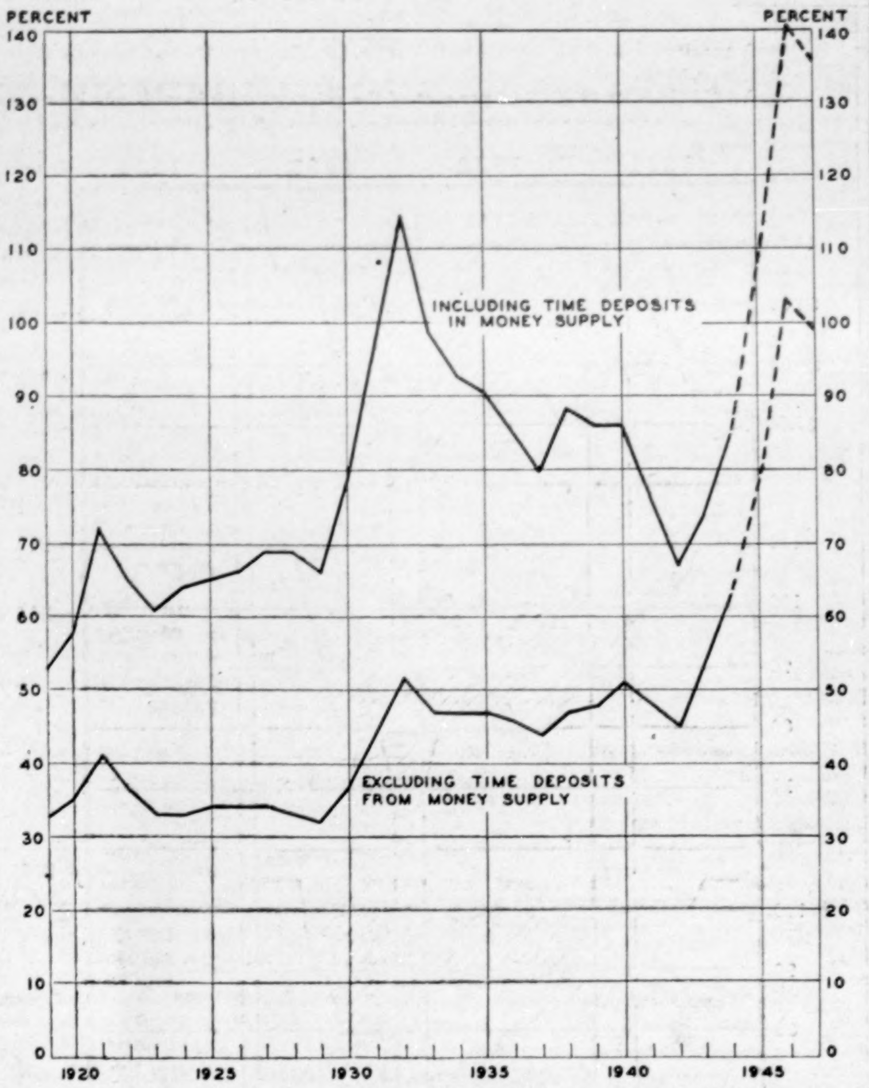
Liquid assets, of course, are not inflationary per se; their influence depends upon how they are used. If Government securities are held as investments outside the commercial banks and are not turned into cash to be spent, they are not inflationary. Time deposits represent mostly savings and are not spent so rapidly as currency or demand deposits and, therefore, do not have so much influence on prices. No doubt deposits will continue to grow during the next two years and in the meantime U. S. Government deposits will be largely converted into ordinary business and individual deposits. A part of the growth in deposits will come from further deficit financing of the Government and a part from the liquidation of Government security holdings by corporations and individuals. To make these redemptions the Treasury may have to borrow from the banks, thereby increasing deposits.

Some years ago many monetary students, noting that there was a close relationship between the money supply and the national income, assumed that a major increase in the money supply, such as we have witnessed for the past few years, would of necessity be followed by a corresponding rise in the national income. They looked upon the increased money supply as an activating force that would, of itself, stimulate a higher level of business activity, or higher prices, or both, so that the relationship between money and the national income would be maintained. This conclusion, however, assumed a constant rate of turnover. More recently, other economists, observing that the relationship between the money supply and the national income was rapidly changing, and that the rate of turnover was declining, have concluded that the volume of money has little, if any, influence upon prices and, therefore, cannot be considered a serious inflationary potential. Both viewpoints are extreme. It is probably fully as erroneous today to assume that the money supply has no influence on prices as it was formerly to assume that a fairly constant relationship would be maintained between money and the national income.

In order better to appraise the possible influence of this enlarged supply of money on prices, we have prepared a chart, showing the relationship between the country's money supply and the national income. There is a question, of course, as to what composes the country's money supply. Some students take only demand deposits adjusted plus currency outside of banks. Others would add time deposits, or at least make some adjustment in the figures for the influence of time deposits. In order that the reader may take his choice and make his own comparisons, we have supplied two sets of figures for the money supply, one including time deposits and the other excluding time deposits. To demand deposits adjusted we have added U. S. Government deposits because they are as liquid as other demand deposits and are being rapidly converted into ordinary business and individual deposits. Because of the big shift from ordinary demand deposits to Government deposits during war loan drives and the reverse shift between drives, the figures would show undue fluctuations and would not be truly representative of the money supply if Government deposits were omitted. The figures on which the chart is based are shown in the table at the end of this memorandum.

The comparison has been extended to 1947 by estimating the figures for the next two years. We have estimated that the money supply will show a further substantial increase (consisting of a rise in deposits, as indicated above, offset by some fall in currency holdings), and that the national income will fall substantially from the high level reached during the first half of this year, as production declines. There has been a very wide range of estimates of the post-war national income, some high and some very low. In order to avoid the extremes we have taken a middle-of-the-road estimate of $135 billion for 1947. This figure seems to be in or near the range of the more responsible estimates.

MONEY SUPPLY AS PERCENT OF NATIONAL INCOME
1919 - 1947
(FIGURES FOR 1945 - 47 ARE ESTIMATES)



The chart shows the changes in the money supply as compared with the national income in the early 1930's and especially the rapid growth since 1942. If we exclude time deposits, the money supply was about one-third the national income in the 1920's. If our estimates are correct, it will equal national income in 1946 and 1947. In other words, the money supply in relation to national income will be about three times as great as it was in the 1920's. If we include time deposits, the money supply will have doubled in relationship to national income, that is, from around 65% in the 1920's to something over 130% in 1946 and 1947. Perhaps a fairer comparison would be to add only a part of time deposits, say 50%, to the money supply. In that case, the postwar ratio to national income will be about two and one-half times that of the 1920's. Little can be gained by attempting to make elaborate statistical refinements; it is sufficient to conclude that the amount of money in the country in the next few years, in relation to the national income, will be from two to three times what it was in the 1920's. This reflects a much lower turnover of deposits and currency. If the turnover were the same as during the 1920's, the country's business could be carried on with about one-third to one-half of the money supply we will have in 1947.

With this expanded volume of money, plus the large accumulation of other liquid assets that can be turned into money, it is quite probable that for a year or so, or even more, expenditures will outrun the country's current production. In other words, there will be more dollars than goods. Investments will probably exceed current savings. In certain periods of the past, excess of investments over savings has arisen out of the expansion of bank credit. This time it will probably come not only from the expansion of bank credit arising out of deficit financing and business borrowing, but also from the spending of savings.

The long-term inflationary potential of this accumulated money supply depends in large part upon the rate of turnover, i.e., how many times currency and deposits are used in a year. No matter how rapidly deposits are spent, they are still deposits; there is no way for them to decline unless they are used to pay off bank loans or to purchase or retire securities held by banks. Gold imports or exports would, of course, increase or decrease deposits, but it is assumed that if any major gold movement develops, its influence will be counteracted by the Federal Reserve System, probably through open-market operations.

Lower Rate of Turnover

There is little doubt that the extraordinarily large money supply which has accumulated has a strong potential inflationary influence. At any time the turnover rate may rise. We need not conclude, however, that runaway inflation is inevitable or that a large price rise is unavoidable, provided prompt and aggressive measures are taken to prevent it. There are doubtless a number of moderating circumstances or reasons why the existing money supply need not produce an excessive price rise. Much will depend upon business and governmental as well as individual policies. Political trends, public attitudes, and business confidence will continue to be important influences on investments and the volume of business and on the rate of turnover of bank deposits.

For one reason or another people may desire to hold substantially larger amounts of savings and liquid assets than formerly, which would mean a continuance of the low rate of turnover of money. The habit of carrying larger balances by both individuals and businesses has become general. The rate of turnover may depend on whether these balances are still considered operating balances or whether in part they are considered cash accumulations to be spent as soon as goods are available; it will also depend in a measure on how long price controls are continued.

A further moderate rise in prices and a further substantial increase in the production of goods might tend to dilute or weaken the pressure of the existing money supply. It is probable that in periods of very high business activity there may be a substantial increase in the rate of turnover of deposits and currency without a major rise in prices. Money itself might not necessarily be the activating force behind the higher volume of business; its role could be largely passive while business expansion creates a more normal relationship between the volume of business and the volume of money.

On the other hand, the threat of excessive price rises in commodities, securities, or real estate —culminating in a speculative boom—is always present when the money supply is greatly inflated. Certain Government controls have been set up to mitigate or curb excesses and people are aware of the dangers inherent in buying in an overpriced market. However, booms can get under way and gain momentum in spite of past experience and precautions. A disturbing factor about the present inflated money supply is that it is accompanied by other inflationary forces which may make controls and precautions more difficult and less effective.

Deferred and Potential Demands

The huge pent-up demand for goods, both in this country and abroad, will be a highly stimulating factor on both production and prices for two or three years, or possible more. This is especially true of durable consumer goods of all kinds and some types of capital goods.

There is probably no way of estimating the magnitude of the domestic deferred demands which the public will now want to satisfy and which will cause them to spend some of their accumulated savings in addition to current income. Various polls and questionnaires indicate that the totals are very large. There is little doubt that shortages in dwellings, automobiles, radios, household appliances, and other durable consumer goods will require time to be made up. There are also substantial needs for capital goods for reconversion and expansion of plant and equipment.

There are several other factors which may stimulate consumer buying in the early postwar years. The liquidation of consumer debt during the war paves the way for a substantial increase in consumer credit. The big shift in population from farms to industrial centers where standards of living are higher has created an additional potential demand for new homes with all the furnishings and equipment that go with them. The big increase in marriages will have a similar effect. Numerous new and improved products in radio and television, plastics, textiles, house furnishings, and a host of others will doubtless stimulate a large amount of buying. Ten million discharged service men and women will be buying new outfits, and thousands of them will be setting up new businesses, or buying homes or farms.

Building activity may be retarded by high costs of materials and labor and by shortages of certain materials. There have already been cases where high costs have turned the scales against commercial construction. Construction, therefore, may not be so much of a stimulating factor in the immediate future as is commonly supposed. The demand for dwellings is pressing in many communities, however, and many people with accumulated savings may be willing to buy or build in spite of high prices. If the cost problem can be solved, the volume of construction will probably rise to new high levels and remain there for several years.

Inventory accumulations will no doubt be large for a year or two. Many manufacturers will have to build up new inventories for civilian production. Distributors' inventories of many durable goods are almost nonexistent and often the nondurables are low in supply or made up of substitute materials which will be replaced. Thousands of small stores which closed during the war may reopen and buy new stocks. Inventories were built up with great rapidity in 1919 and 1920 and this was an important factor in the post-war price rise.

(Continued on page 1848)

Australia and New Zealand

BANK OF
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(ESTABLISHED 1817)

Paid-Up Capital __________ £8,780,000
Reserve Fund ___________ 6,150,000
Reserve Liability of Prop.__ 8,780,000
£23,710,000

Aggregate Assets 30th Sept., 1944 __________ £208,627,093

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Paid-Up Capital______£2,000,000
Reserve Fund________£2,200,000

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Shope Adv. Mgr. of Equitable Life Soc.

Thomas I. Parkinson, President of The Equitable Life Assurance Society of the United States, has announced the appointment of Leslie R. Shope as Advertising Manager.

Mr. Shope, a Colonel in the United States Army Air Force, recently returned from the South Pacific where during the past three years he served as the Army's director of public relations and was air center commander for New Caledonia. Prior to the war he was supervisor of sales promotion for The Equitable.

Jewett & Shean to Be Formed in New York

Jewett & Shean will be formed in New York City as of November 1st. Partners in the new firm, which will hold memberships on the New York Stock and Curb Exchanges, will be Edward J. Shean, member of the Curb, who will acquire the Stock Exchange membership of the late Russell S. Cooney; Edward H. Jewett, member of the Curb; William P. S. Earle, Jr., general partners; and John T. deBlois Wack, limited partner. Mr. Shean is a partner in E. J. Shean & Co. Mr. Jewett is an individual Curb floor broker; in the past Mr. Earle was with Winthrop, Whitehouse & Co.

Security Inv. Corp.

WASHINGTON, D. C.—Security Investors Corporation is being formed with offices at 1367 Connecticut Avenue, N. W., to engage in a securities business. Officers are Ralph Martin Newman, President; Walker Prout Buel, Vice-President; and Dorothy Mahon Newman, Secretary-Treasurer.

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OUR REPORTER'S REPORT

Just now the investment market is literally inundated by new bond issues growing out of refinancing operations by corporations seeking to get their securities to market in advance of the Treasury's Victory Loan Drive which gets under way a week from Monday.

But among those who know the temper of the market from their direct contact with it the concensus is that the public really is "equity-minded." As one such commentator put it "you can sell any kind of a stock deal under prevailing circumstances."

He did not go on to offer any reason for the investors' evident preference for stocks. But that was scarcely necessary. In the first place the yield on high-grade bonds is scant to say the least and, on top of that, the volume of actual new financing reaching market is infinitesimal when placed against the overall total of new issues.

By far the bulk of such new securities represents merely the replacement of an outstanding obligation by a lower coupon issue. But then investors, eyeing the widespread campaign for higher wages, are doubtless giving heed to the implications of inflation, controlled though it may be, in this trend.

It is recognized that corporations cannot go on indefinitely absorbing the cost of such wage increases and that sooner or later prices must rise by way of compensation. This means that dollar income will lose proportionately in purchasing power.

Investors with fixed income bearing securities would be locked in under such circumstances whereas, it is reasoned evidently, holders of equities would stand a chance of working out through appreciation marketwise of their holdings and perhaps by way of larger dividends where earnings would justify such distributions.

Mention Brings Rush

The mere mention that a firm has a stock offering on tap or even in prospect is said to be sufficient to bring in a rush of buying orders from investors.

The investment banker, naturally, is not particularly concerned whether he handles bonds or equities since his prime interest is in the opportunity to do business at a profit.

But circumstances surrounding stock financing have proven such, on occasion, that bankers are none-too-keen about this type of business.

They find stock offerings difficult to handle in many respects. Invariably allotment is necessary to distribute the available supply as fairly as possible. But here, sometimes, trouble develops since allotments may be so small that many individuals lose interest and proceed to market what they take down immediately.

Cincinnati Gas & Electric

It appeared probable that public offering of Cincinnati Gas & Electric Co.'s $45,000,000 of 2¾% bonds, expected on the market today, might be made under the shadow of a protest by a second banking group which sought the issue in competitive bidding on Tuesday.

The bonds, along with 270,000 shares of the company's preferred stock were awarded to a group headed by Morgan Stanley & Co., Inc., and W. E. Hutton & Co. on a "basket bid" of 100.3391 for the bonds and 106 less $1.72 a share compensation for the stock with a 4% dividend.

This group also bid separately for each issue, offering to pay 100.41991 for the bonds and 107 less $1.72 a share for the stock, as a 4.10% dividend payer.

Halsey, Stuart & Co., Inc., headed another group which bid 100.5859 for the bonds, but this bid was passed up by the company which awarded the bonds and stock as a whole. The firm proceeded to inform members in its group that it planned to protest the award of the bonds.

A Busy Day

Yesterday was a busy day for the underwriting fraternity with two substantial-sized issues, one a public utility and the other a railroad undertaking being up for competitive bidding.

Most interest centered around the offering by Pacific Gas & Electric Co. of $49,000,000 of refunding 3s due to mature in 1977. The SEC recently declared it no longer a subsidiary of the North American Co., but the California Railroad Commission ordered the bonds sold in competition.

Three groups were in the running for the bonds, one headed by a West Coast firm, a second by a Chicago house and the third by a New York group.

Meanwhile the $40,000,000 of new Kansas City Southern Railway first mortgage bonds was up for bids promising to swell this week's aggregate of new offerings close to record levels.

Walston Hoffman Changes

SAN FRANCISCO, CALIF. — George A. Koch will be admitted to limited partnership in Walston, Hoffman & Goodwin, 265 Montgomery Street, members of the New York and San Francisco Stock Exchanges, effective October 31st, as of which date John J. Lucas will retire from limited partnership.

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Bank and Insurance Stocks

This Week — Bank Stocks

By E. A. VAN DEUSEN

Statements for Sept. 30, 1945 of a group of sixteen leading New York City commercial banks reveal the fact that their aggregate earnings for the third quarter of 1945, including security profits, are 21.0% higher than for the third quarter of 1944. This is not surprising, for the trend of their earning assets continues to be upward, as was pointed out in this column on Sept. 20.

A comparison of principal earning assets, as shown on third quarter balance sheets of 1945 and 1944, is as follows:

AGGREGATE EARNING ASSETS OF SIXTEEN BANKS

	U. S. G. Securities	All Securities (Million	Loans & Discounts Dollars)	Total Earning Assets
Sept. 30, 1944	14,331	15,453	4,513	20,215
Sept. 30, 1945	15,015	16,349	5,600	22,187
Increase (dollars)	684	896	1,087	1.972
(Percentage)	4.8	5.8	24.1	9.8

It is interesting to note that loans and discounts show a substantially greater gain than do Governments and other securities.

The accompanying table gives a comparison of the earnings and book values per share of each of the sixteen banks, for both quarters:

	Third Quarter Indicated Earns. Sept. 30, '44	Sept. 30, '45	Book Value Sept. 30, '44	Sept. 30, '45
	$	$	$	$
Bank of Manhattan	0.55	0.64	25.83	29.85
Bank of New York	7.97	9.36	369.70	431.69
**Bankers Trust	1.05	0.74	52.07	47.28
Central Hanover	1.50	1.50	100.45	106.46
Chase National	0.73	1.19	38.33	40.69
Chemical Bank & Trust	0.84	0.93	42.17	46.66
Continental Bank & Trust	0.59	0.54	24.16	25.42
Corn Exchange	0.99	1.24	50.45	52.73
First National	25.79	30.06	1,270.43	1,320.46
Guaranty Trust	5.65	6.26	331.59	344.79
Irving Trust	0.27	0.33	21.61	22.12
**Manufacturers Trust	1.29	1.28	43.84	54.06
*National City	0.59	0.75	40.47	42.80
New York Trust	1.93	2.03	87.95	91.68
**Public National	1.16	1.25	50.49	49.00
U. S. Trust	16.13	16.16	1,522.11	1,530.33

*Including City Bank Farmers Trust. **See adjustments below.

Some capital changes have occurred since the third quarter of 1944 which necessitate adjustments to the above figures in certain cases. Bankers Trust, for instance, declared a 20% stock dividend last December; the adjusted 1944 third quarter earnings thus become $0.87 and book value $43.40. Public National declared a 10% stock dividend in January, 1945; the $1.16 of 1944 therefore is equivalent to $1.05, and the $50.49 book value $45.90. Another important capital change was the retirement of all preferred stock by Manufacturers Trust and the increase of common shares from 1,650,000 to 2,062,500. Adjusted for this change, 1944 third quarter earnings and book value are equivalent to $1.03 and $44.78.

It is also of interest to note other proposed capital changes that have recently been announced. Chemical proposes to increase capital stock from 2,000,000 to 2,500,000 shares ($10 par) by a 25% stock dividend, and to maintain the current $1.80 dividend rate, which thus becomes equivalent to $2.25. Continental also proposes a 25% stock dividend, which will raise capital stock ($100 par) from 400,000 to 500,000 shares, and to maintain the present 80-cent dividend rate, which becomes the equivalent of $1.

The market for bank stocks has livened up during the past few weeks, presumably in response to rumored and reported stock dividends as well as in anticipation of favorable third quarter figures. The American Banker Index was 45.7 in mid-September and 51.3 on Oct. 10; the appreciation is 12.2%. Between these dates Chemical moved from 59¾ to 69, an appreciation of 15.5%, and Continental from 24¾ to 29, or 17.2%.

Correction—In the Oct. 4 issue of this column Guaranty Trust's percentage of capital funds to risk assets should have been 25.6% instead of 15.6%, and ratio of risk assets to capital funds, 3.9 instead of 6.4.

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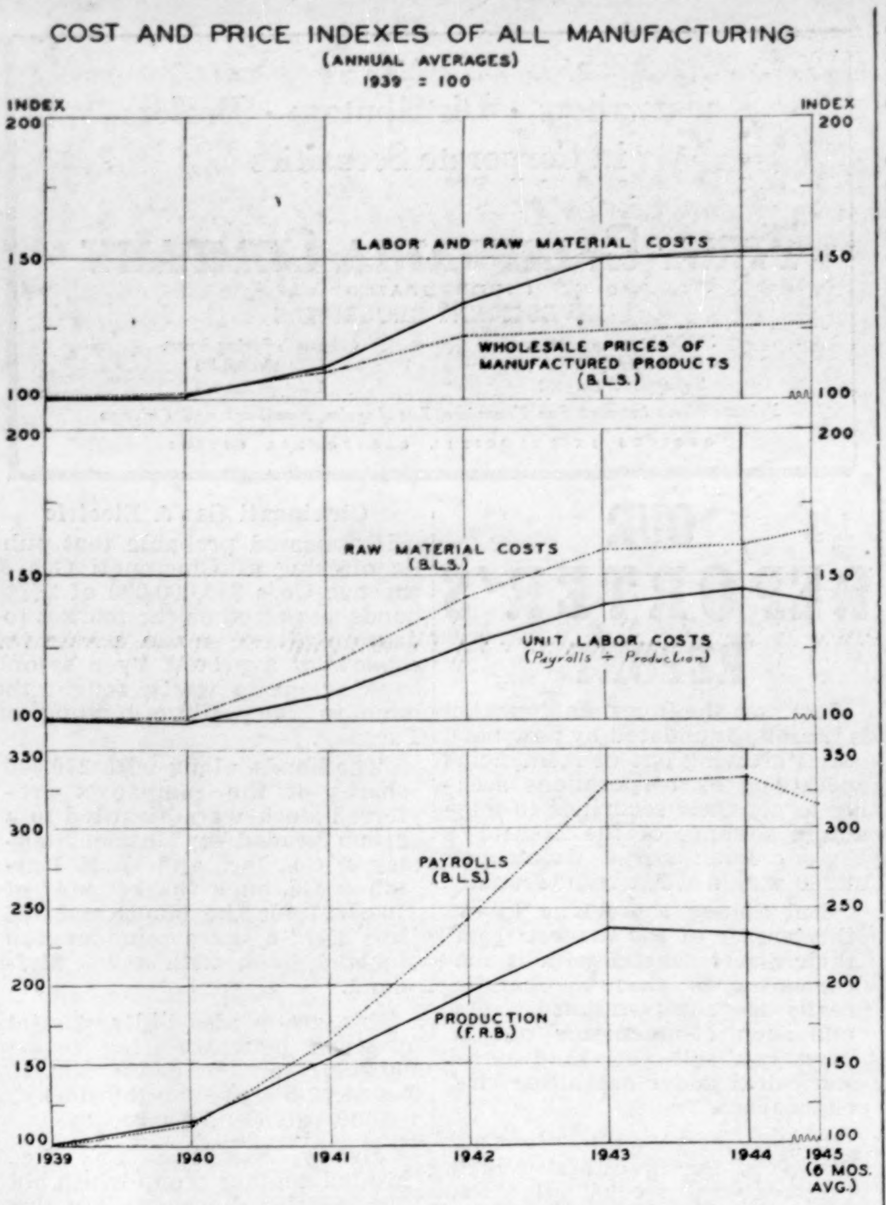
(L. A. Gibbs, Manager Trading Department)

The Threat of Inflation

(Continued from page 1846)



COST AND PRICE INDEXES OF ALL MANUFACTURING
(ANNUAL AVERAGES)
1939 = 100

The expenditures for consumer goods, residential construction, plant and equipment, and inventories, will be supplemented by heavy governmental outlays (State and local as well as Federal) for road construction, public works and improvements, public housing and health centers, and for the armed services.

In addition to large domestic expenditures there will no doubt be large export balances for two or three years or more. Many war-torn countries need relief as well as enormous amounts of materials for reconstruction and rehabilitation of their economies. Others, like the South American countries, which were unable to get the goods they wanted during the war, are now waiting until the goods are available to meet some of their pent-up demands. Not only does this huge potential foreign demand for goods exist, but in a great many cases the countries have substantial funds with which to buy our products. The gold holdings and dollar balances of foreign countries are well over $20 billion.

Furthermore, this country contemplates making large amounts of loans and credits to foreign countries so that they may buy our goods. The International Monetary Fund, the International Bank for Reconstruction and Development, and the Export-Import Bank will probably grant many billions of dollars of credits to be spent in this country. England is already negotiating for some $3-$6 billion of credits or financial aid of some kind. Russia would like to have $6 billion. France, China, and many smaller countries are likewise seeking credits. The total granted may reach many billions. These credits, of course, will be spent over a period of years, but a substantial part may result in heavy demands for American goods during the next three years when our own shortages are being made up.

Great expectations are being entertained in some quarters regarding the prospective rise of our post-war exports. Some estimates reach into the $10-$15 billion range. These expectations seem high, but if we grant the credits they may be reached. After the last war our net export balance aggregated nearly $6 billion for the first two post-war years combined. This time they may aggregate that much each year, especially if we are generous with Government credits. After the First World War our heavy net exports helped to accelerate the post-war rise in prices.

Labor Costs

A newer, but perhaps very potent inflationary influence, is rising labor costs. In former periods of expansion and rising prices it has been customary for wages to lag behind prices. During the war period, however, wages have run far ahead of price increases. This is likely to be the trend in the next few years. Instead of following the price rise, labor costs are likely to precede and accelerate the price rise. The growing power of the labor unions and the support that they receive from the Federal Government will make this one of the major factors in the price situation.

The price of labor has risen over 40% since 1939.† The chart given herein shows that labor costs per unit of output in manufacturing industries have increased about 42% since 1939. This, of course, is a very crude figure arrived at by dividing payrolls by the FRB index of production. That this over-all figure for labor costs may not be far out of line, however, is indicated by a study of "Productivity and Unit Labor Costs in Selected Manufacturing Industries: 1939-1944," prepared and published in May, 1945, by the U. S. Bureau of Labor Statistics. This study shows that the change in unit labor costs from 1939 to 1944 in 23 selected industries ranged from a decline of 7% in the ice cream industry to an increase of 70% in lumber and timber products. The median change for the 23 industries was an increase of 42% and the arithmetic average showed an increase of 40%. These were all industries in which the commodities produced during the war were about the same as before the war.

Material and labor costs together have risen nearly 54% per unit of output since 1939, as shown in the accompanying chart. The price of manufactured goods, however, has not kept pace with these rising costs; the wholesale price index for finished goods has increased only 26% since 1939. Higher material and labor costs in wartime have been absorbed by overhead ecomies and the larger volume of business which permitted lower profit margins.

With the elimination of war production and the return to a somewhat lower output generally, it remains to be seen whether industry can operate profitably at present prices with present labor costs. Wartime operations give little indication of the cost-price relationship that will prevail in civilian production. Sales costs will no doubt be higher. Return to a normal work week and to a new level of output will probably raise other overhead costs per unit, while reducing labor costs somewhat through elimination of overtime, provided wage rates remain the same. However, labor unions already are demanding higher basic wage rates to make up for disappearing overtime and more. The OPA, on the other hand, expects new output to be priced substantially at the 1941 or 1942 level.

Apparently the economic planners in Washington favor increasing wages 40-50% during the next five years without increasing the prices of the products. This idea was publicized by Mr. William H. Davis when Director of Economic Stabilization. After an outbreak of extreme wage demands and strikes the President said that Mr. Davis was not speaking for the Administration. However, there is little doubt that the views expressed reflect a large body of Washington opinion. The "Little Steel" formula has been abandoned, minimum wage rates will probably be raised, and the doctrine of raising wages generally to stimulate purchasing power seems to have gained general acceptance in Washington. The virtual invitation extended to labor to ask for higher wages will no doubt lead to a series of wage demands which will gather momentum and lead to an important rise in labor costs.

The theory is that wage increases are to be granted only when they do not result in price increases, but this is an untenable formula. It is very difficult to tell, certainly at this time, what wage increases might necessitate price increases. A wage increase that looks feasible today might necessitate a price increase six months hence. Costs vary widely in the same industry and wage increases which might be granted by a low-cost plant might drive others out of business, decrease production, and create the unemployment which we are trying to avoid. If, on the other hand, publicly sponsored increases are granted in some plants and not in others in the same industry, it would lead to discontent, strikes, and labor troubles generally.

It was common practice in industry in prewar years to grant wage increases without raising prices, but these increases were possible because of increased productivity of industry through improved techniques, new machinery, and better management Over a long period of years the increase in the output per man-hour has averaged around 2% per year. In some short periods of rapid mechanization the increase has been faster, but probably not more than double the average rate. The Davis proposal, however, would mean that output per man-hour would have to increase at the rate of 8½% per year, compounded, which seems quite impossible without raising prices. Furthermore, if the full increase in production is paid to labor, nothing is left to pass on to consumers generally in the form of lower prices. Moreover, when all increments to production are captured quickly by labor or taxes, nothing is left to compensate or encourage the spirit of enterprise which is responsible for the new increments and for industrial progress.

The quickest and soundest way to relieve the price pressure is to increase the supply of scarce goods. This has already been demonstrated in the case of several commodities. Both the OPA price policy and labor strikes, however, are slowing up reconversion, retarding production, and accentuating price difficulties. It has become obvious that many commodities can be produced at OPA ceiling prices only at a loss, and therefore production generally is being impeded. A little less rigidity in price policy would stimulate production.

If the Government attempts to hold prices rigidly while labor costs are rising, it will mean a squeeze on profits, a damper on investments, further curtailment of production, and increased unemployment. The Government might undertake to offset this by public works and heavy expenditures, but these would be temporary emergency measures only and would not solve the problem of the cost-price relationships in industry.

Another alternative would be for the Government to permit prices to rise, and ultimately this is likely to be the course pursued. In fact, the price control powers last only until June 30, 1946, and are not likely to be extended by Congress, except in greatly modified form. The probabilities are, therefore, that by inviting and encouraging a rise in labor costs, the Government will start a price movement which may be difficult to control.

Government Spending and Monetary Policies

Government policies on the whole are strongly inflationary. In addition to the labor and foreign lending policies mentioned above, the spending and monetary policies are also inflationary. Certain of the Government's activities, such as price controls, may be considered anti-inflationary, but these are largely temporary and may become less and less effective.

In his recent message to Congress, the President outlined a number of projects for aiding or subsidizing various segments of the nation's economy. No estimate of their cost accompanies the message, but if Congress follows these recommendations, the expenditures will certainly involve many billions of dollars and will carry peacetime Federal spending far above the already high figures generally taken for granted.

The President proposed that war workers receive support during the period of reconversion unemployment, that Federal employees be granted substantial pay rises, and that unemployment insurance be broadened in its coverage and payments be raised. He suggested the liberalization of veterans' benefits and higher unemployment allowances for veterans. He also asked for legislation making the Government responsible for the achievement of full employment.

Further, the President favors disbursing more subsidies to agriculture, giving assistance to small business and to scientific research, and making additional contributions to housing and slum clearance. He advocates a national health program for medical care and health insurance. He proposed that public power projects be expanded, more highways, airports and Federal buildings be constructed, and that Federal contributions be made to State and local governments to help cover the cost of their own public works, hospitals and health centers.

In the international field, the President asked for more funds for UNRRA and suggested further loans to foreign countries. He also recommended that strategic materials continue to be bought for stock-piling.

If and when the Government assumes responsibility for providing full employment, it means that this policy will be implemented by Government expenditures.‡ The very fact that a bill for this purpose is being considered in Congress means that its sponsors and those who endorsed the bill in its original form have accepted the doctrine that private enterprise cannot provide a high level of employment and, therefore, the Government must. They seem unwilling to permit the favorable economic atmosphere that would enable private enterprise to succeed. They would deprive industry of most of its honest profits and then resort to Government spending to stimulate business and provide employment. Promises of security and general welfare have been made in the past by other governments to their people, but these have nearly always led to wasteful Government expenditures. Modern governments seem to be able to think of no solution for economic problems except public spending. For a time this seems like an easy solution, but sooner or later it leads to financial and monetary difficulties.

The danger in the present situation lies in the spending theories which are so well imbedded in Government thinking. Large public works and other Government expenditures may be undertaken at a time when everything is so favorable for the expansion of private business that it may be difficult to prevent business activity from reaching boom proportions. If so, the Government will be feeding the fires of inflation. There has never been a time in the history of this country when there was less need for and more danger in Government expenditures to stimulate business. All that business needs now is assurance that it will not suffer too much from the crippling governmental and labor policies which are now retarding reconversion.

The general spending philosophy which has grown up in Washington, and which the President now seems to support, will mean a continuation of deficit financing if it receives congressional support. This would be a real inflationary threat. The worst of the inflationary developments in Europe after the First World War came because the governments did not put their fiscal affairs in order after the cessation of hostilities. For one reason or another they continued to run large deficits which resulted in monetary chaos.

If the Treasury continues to run a substantial budget deficit on top of the huge credit and debt expansion which has already occurred, a substantial price rise will be inevitable. Because we have been able to hold prices down during the war while inflating the money supply, many Government officials and a part of the public have been lulled into a false sense of security regarding spending and monetary policies. Caution has worn thin or almost disappeared. The doctrine has grown up in certain Washington quarters that we do not need to balance the budget, and that attempting to do so would lead to deflation. At this stage of the economy a more dangerous doctrine could hardly be conceived. It has in it the seeds of grave difficulties. Budget balancing may be old-fashioned, but if history has any meaning at all, it is imperative if this country expects to avoid inflation and preserve the purchasing power of the dollar. Deficit financing and inflation nearly always go hand in hand.

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†Sumner H. Slichter, "Adjustment of Wages During Conversion," **Harvard Business Review**, Vol. XXIV, No. 1, Autumn Number 1945, p. 57. It is not easy to measure changes in the price of labor. The Bureau of Labor Statistics estimates that straight-time hourly earnings of labor (excluding premium pay for overtime) have increased 56% since 1939. This figure, however, needs to be corrected for shifts from low-paying industries to high-paying industries and from low-paying plants to high-paying plants.

‡The Senate amended the Murray Full Employment Bill so as to remove the concept of deficit spending as the means of providing full employment, but it remains to be seen what kind of bill is ultimately passed.

The Government's monetary policy also has an inflationary bias. By maintaining artificial and excessively low short-term rates and issuing a tremendous volume of short-term securities, the Government has depended upon banks for more of its war financing than necessary and has inflated bank credit more than has been necessary. It is questionable whether this policy of excessively low short-term rates and the huge floating debt can be maintained without a continuous expansion of credit. The Government is very generous in its other expenditures, but exceedingly economical when it comes to paying interest on Government securities. Both policies are inflationary. If the Government were more economical in its general expenditures and a little more generous in its interest payments to savers, it would be much less dependent upon bank credit.

Restraining Influences

There are two important anti-inflationary forces which restrain or moderate price rises and lessen materially the full effectiveness of the inflationary forces outlined above. These are price controls and the increase in civilian production. Sales of surplus war products will influence selected types of goods but will probably have little bearing on the general price level.

Price controls will probably help to restrain price increases during the next few months when demands are great and commodities are scarce. This is a temporary factor, however, and as time goes on it will be harder and harder to impose rigid price controls on a peacetime economy. The life of OPA runs only to June 30, 1946, unless further extended by Congress. If price control is extended beyond that period, it will no doubt be on a very much modified scale and restricted to a few commodities.

By the middle of next year, however, reconversion will have been about completed and the production of civilian goods will probably be rising rapidly. This country demonstrated a tremendous productive capacity during the war and will no doubt give a similar demonstration of its peacetime capacity during the next few years. Unless curbed by political interference and labor difficulties, the rise in civilian production will be a very strong restraining influence on price increases. In 1947 the physical output of civilian goods might well be 50% above the 1935-1939 average.

After two or three years of a big volume of production it seems probable that the upward pressure on prices may be relaxed considerably. No doubt the most acute shortages will have been filled and the principal bottlenecks cleared up. That does not necessarily mean an important recession in business activity, however. It will probably take several years of good business for production fully to catch up with demands. Foreign buying, for example, may be very heavy for three or four years, or longer. It may take three or four years to catch up with the demands for automobiles and much longer for the construction boom to run its course. Furthermore, such a period of expansion usually gains momentum and creates new products and new demands which help to extend the period of good business. There may be periods of hesitation and some slackening in activity, such as those of 1924 and 1927, but, unless the price situation gets out of hand, thereby producing a rapid but temporary boom of unhealthy proportions, the prospects are that a high level of business activity can be maintained for several years.

Summary of Conclusions

It is impossible to weigh accurately the various influences bearing on prices and to predict with assurance what the course of prices will be. Much depends upon governmental spending, monetary, and labor policies. However, it appears that the forces pushing prices upward will be substantially stronger than the deflationary forces, at least during the next two or three years. Prices may be spotty during the period of reconversion and demobilization in the next few months, but it does not seem likely that there will be any material decline in the general price index. On the contrary, price controls may be maintained in order to prevent a general rise in prices.

After a few months of reconversion, however, it seems probable that the general price level will move upward. How much it is impossible to say. There are substantial differences of opinion among the students of the subject. Some think we may have a big rise over a period of years, say 40-50% or even more. Others think we may have a moderate rise of say 15-20% from the present level. I am inclined to go along with the latter view, but with many misgivings. The inflationary influence of the accumulated money supply and other liquid assets could be gradually diluted by a moderate rise in prices and a substantial increase in the volume of business. This moderation, however, can be achieved only if the Government puts its fiscal affairs in order, makes some changes in monetary policy to prevent excessive expansion of bank credit, and does not attempt to push wages up faster than the increase in production.

The Government continues to inflate the money supply and labor costs, and at the same time tries to avoid the consequences of these measures by controlling prices. Such a policy can at best meet with only temporary success. Controlling prices in peacetime will prove a far more difficult task than in wartime. Wages are the most important element of costs and it was discovered in the early days of the war that prices could not be stabilized without stabilizing wages. Furthermore, it has never been possible to stabilize prices while continuing to follow a policy of deficit spending and monetary expansion. Neither drastic legislation nor the powers of dictators have been able to control prices permanently under such conditions. Inflation cannot be prevented without remedying the causes. Attacking the symptoms will only postpone for a brief period the inevitable consequences of inflationary policies.

The gold standard imposed certain disciplines on our fiscal and monetary policies. We were jealous of the value and integrity of the dollar and, in peacetime at least, we avoided policies that tended to depreciate the dollar and break down the monetary standard. Under our managed currency system, however, there are no such disciplines or restraints. It becomes harder and harder to resist the pressure groups. The easiest course seems to be more and more Government spending. Apparently the lessons of history mean little or nothing and we may have to learn the hard way.

The longer-run outlook for prices depends upon how far and how fast they move during the next two or three years. If the situation gets out of hand and we have a rapid run-up in prices, then we are likely to have a substantial setback when the boom is over. If, on the other hand, the rise is moderate and not too fast, the indexes may level off on a higher plateau and remain comparatively stable. In any case, it seems improbable that prices will return to the prewar level, at least in the foreseeable future.

MONEY SUPPLY AND THE NATIONAL INCOME
1919-1947
(Amounts in millions of dollars)

	*National Income (Calendar Year)	Money Supply —as of June 30—		Money Supply as % of National Income	
		†Excluding Time Deposits	‡Including Time Deposits	Excluding Time Deposits	Including Time Deposits
1919	67,300	22,182	35,605	33	53
1920	69,300	24,025	39,859	35	58
1921	52,300	21,208	37,791	41	72
1922	60,100	21,561	38,998	36	65
1923	69,700	23,024	42,746	33	61
1924	69,600	23,251	44,510	33	64
1925	74,400	25,129	48,323	34	65
1926	76,500	25,829	50,570	34	66
1927	75,800	25,764	52,229	34	69
1928	79,600	26,152	54,678	33	69
1929	83,326	26,560	55,171	32	66
1930	68,858	25,397	54,389	37	79
1931	54,479	23,922	52,883	44	97
1932	39,963	20,659	45,415	52	114
1933	42,322	20,024	41,680	47	99
1934	49,455	23,086	45,961	47	93
1935	55,719	26,027	49,881	47	90
1936	64,924	30,144	55,052	46	85
1937	71,513	31,353	57,258	44	80
1938	64,200	30,329	56,565	47	88
1939	70,829	34,152	60,943	48	86
1940	77,574	39,489	66,952	51	86
1941	96,857	46,274	74,153	48	77
1942	122,200	54,643	81,963	45	67
1943	149,400	79,901	110,161	54	74
1944	160,700	100,452	136,172	63	85
1945	§150,000	§119,000	§163,000	79	109
1946	§125,000	§129,000	§176,000	103	141
1947	§135,000	§134,000	§183,000	99	136

*Kuznets' figures for 1919-1928, as adjusted in **Banking Studies**, Federal Reserve System, 1941, p. 453, to make them comparable with later series. For 1929-1944, estimates are those of the U. S. Department of Commerce.

†Demand deposits adjusted, U. S. Government deposits and currency outside banks.

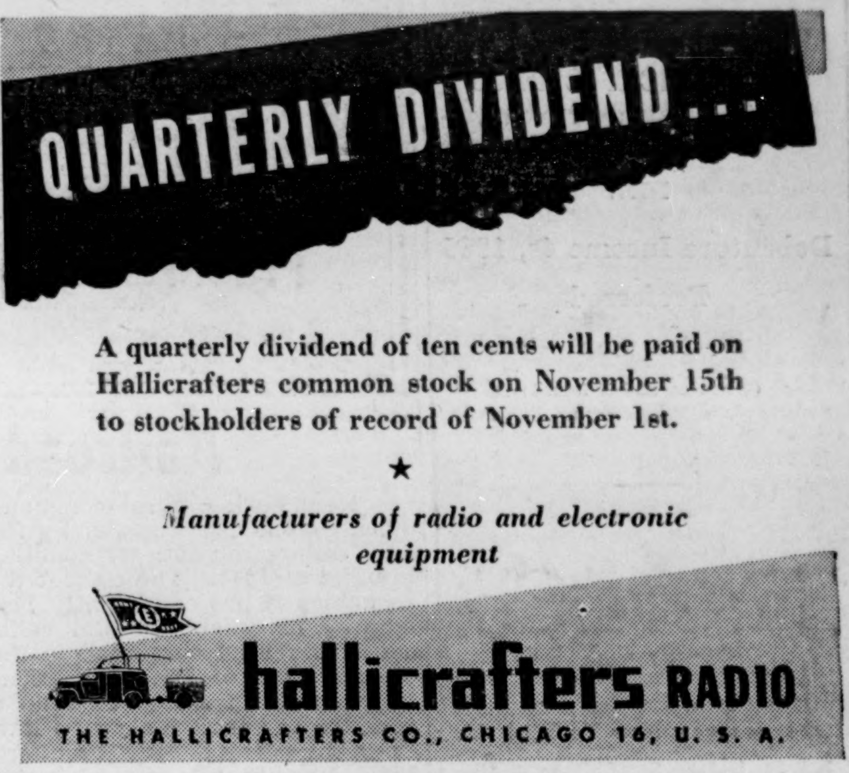
‡Includes deposits in mutual savings banks and the Postal Savings System, as well as time and savings deposits in commercial banks.

§Estimated.

NY Bank Comptrollers Meet

The New York City Conference of Bank Comptrollers and Auditors held their first regular meeting of the season October 16. Edward N. Hay of the Pennsylvania Company was the guest speaker.

DIVIDEND NOTICES


QUARTERLY DIVIDEND...

A quarterly dividend of ten cents will be paid on Hallicrafters common stock on November 15th to stockholders of record of November 1st.

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A dividend of $1.25 per share on PRIOR PREFERENCE STOCK will be paid November 1, 1945, to stockholders of record at the close of business October 5, 1945, in payment of the accumulated dividend on said stock at the rate of 5% per annum from May 1, 1938, to July 31, 1938, inclusive. Transfer books will not close.

H. F. Lohmeyer, Secretary

Honors to Members of Staff of Chase Bank

A dinner in honor of the 940 members of the Chase National Bank staff who have served the bank 25 years or more was held in the grand ballroom of the Waldorf-Astoria Hotel on Oct. 10. Winthrop W. Aldrich, Chairman of the board, and H. Donald Campbell, President, were hosts to a group of 871 men and women in attendance. A number were absent due to illness, three are abroad on military service leave, and 32 are on the staff of branches overseas. Of the 940 persons in the 25-year class, 143 are women and 797 are men. Of the men, 222 are officers of the bank, most of them promoted from the ranks. In the aggregate, the service record of the entire group exceeds 28,500 years.

Following the dinner Mr. Aldrich, in an informal address gave his impressions of his recent trip to London, Holland, Belgium, Paris, Berlin and Prague. Mr. Campbell spoke briefly on the sentiment and traditions of the occasion. He announced that when available, commemorative gifts will be presented to all members of the 25-year group, who will be invited to express their personal preferences for a gold watch, a silver tea or coffee set, a gold pen and pencil set, or a silver tray.

Sixty members of the Chase organization have served 40 years or more, and nine have passed the 45-year mark. The longest service record is held by August H. Tiemeyer, Assistant Manager of the Produce Exchange Branch, 25 Broadway, who reached the half-century anniversary date on Oct 17. Miss Isabel McCosker, Manager of the Chase Safe Deposit Company branch at 115 Broadway, is first in length of service among the women on the bank's staff. In the group at the dinner were hundreds who started their banking careers with the Mechanics & Metals National Bank, the National Park Bank, the Seaboard National Bank, the Equitable Trust Company and one or another of the many banks which have become part of the Chase through mergers during the past several decades. A number of those present had been on the staff of three or four banks during the course of these mergers. Altogether, the 940 veterans represent approximately one-seventh of the entire Chase organization of executive, clerical, building and service personnel. Frank M. Totton, Second Vice-President of the Bank, presided as master of ceremonies at the dinner.

NATIONAL DISTILLERS PRODUCTS CORPORATION

The Board of Directors has declared a regular quarterly dividend of 50¢ per share on the outstanding Common Stock, payable on November 1, 1945, to stockholders of record on October 15, 1945. The transfer books will not close.

THOS. A. CLARK
September 27, 1945 TREASURER

Seymour Rosenberg in S. Weinberg Dept.

S. Weinberg & Co., 60 Wall Street, New York City, announce that Seymour M. Rosenberg, recently returned from the armed forces, has become associated with them in their trading department. In the past Mr. Rosenberg was with Bendix, Luitweiler & Co.

Garvin Shields With Central Nat'l Corp.

Central National Corp., 22 East 40th Street, New York City, announces that Garvin K. Shields has become associated with their unlisted securities department. Mr. Shields was formerly with Goodbody & Co., and Laird, Bissell & Meeds.

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Passavant Joins Staff of Maxwell, Marshall & Co.

(Special to The Financial Chronicle)

LOS ANGELES, CAL. — Raymond Passavant, Jr. has become associated with Maxwell, Marshall & Co., 647 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Passavant was formerly with Bankamerica Co. and Banks, Huntley & Co.

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Railroad Securities

New York Central common is one of the minority of railroad stocks, outside of the strictly investment category, which is not by now selling for at least double the price it commanded at the beginning of 1944. Throughout the war boom in speculative railroad securities it has consistently been laggard in relation to other rail equities of roughly similar caliber, and this relatively unfavorable action has been continued in the current year to date. While Central common is still less than a third higher than the year's low, Coast Line is up 45%, Southern 55%, Northern Pacific 66% and Illinois Central 85%. While holders of Central stock have seen their stock advance their experience on the whole has been disappointing.

Probably one of the major reasons for the failure of Central to respond so strongly as other rail stocks to the improved status of the entire industry may be found in the extent to which Central's war time prosperity has been based on the rise in passenger business. Even those most optimistically inclined towards the future of the railroads are convinced that passenger business must necessarily decline sharply as our armed forces are demobilized and as competitive transportation agencies again get into full operation. There appears to be no question but that the air lines in particular, with their lowered rates and prospective even faster schedules, will be a much more severe competitive threat after the war than they were before.

New York Central has always done a pretty heavy passenger business and in normal times this business consistently shows losses. Last year passenger revenues accounted for about a quarter of system gross. Actual passenger revenues were up more than 200% from 1940, the rise accounting for some 35% of the gain in gross revenues during the period. While passenger revenues were expanding more than 200% the service rendered, as measured in passenger train miles, increased less than 12%. In other words, the gain in revenues was accomplished largely through getting a heavier load on existing trains.

Obviously, a heavier load on existing trains does not involve a corresponding increase in the cost of operation. A very substantial proportion of the increased gross under such conditions can be carried through to net before taxes. Indicative of how important this can be to individual roads New York Central in 1940 reported a deficit of over $4,500,000 in net railway operating revenue assignable to passenger business and in 1944 reported a profit of close to $67,000,000. There was a gain in net railway operating revenue assignable to passenger business of more than $71,000,000. This represented 78% of the aggregate gain in net operating revenue during the period. If Central's passenger business should revert to pre-war levels the effect on net earnings would obviously be quite serious.

The big trouble is that just as there was no necessity for expanding service in line with the increased gross there will be no opportunity to curtail service as the business falls off. It will merely be a reversal of the process of the last few years, with deterioration in the load factor the primary result of less passenger business. It may be expected, then, that when, and if, passenger business does fall off there will be an even more rapid melting away of the profit margin in this service. As a matter of fact if passenger business were to return to pre-war levels it would be even a greater drag on system earnings than it was in the past. Inherently the labor cost in passenger business is relatively high and wages have been advanced materially since 1940.

It is probable that costs have not as yet completed their upward spiral. Wages appear almost certain to be boosted again in the near future. At the same time it is generally conceded that passenger service facilities will have to be improved if the railroads are to retain even a reasonable proportion of the available business. This improvement will naturally mean spending money. Regardless of what may be done in the way of increasing freight rates to compensate for higher costs there are few who would seriously consider the possibility of increasing passenger fares. On the contrary there is a large element in the industry which believes that fares will have to be reduced to attract business. In the light of Central's position with respect to passenger business it is small wonder that its stock has consistently fallen behind the procession in recent years. There are many rail analysts who believe that it will continue to turn in a poor performance for this same reason.

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Andersen Pres. of Blair Organizations

Jonas C. Andersen was elected President and a director of Blair & Co., Inc., and Blair Securities Corporation, 44 Wall Street, New York City, at meetings of the boards of directors of the two investment banking firms.

Jonas C. Andersen

At a meeting of the directors of Blair Securities Corp., Hearn W. Streat and Albert J. Bright were elected directors of that corporation.

D. A. Pincus & Co. To Be Formed in N. Y.

D. A. Pincus & Co., New York Stock Exchange firm, will be formed as of November 1, with offices at 30 Broad Street, New York City. Partners will be David A. Pincus, Clayton Snyder, the Exchange member, and Edward A. Robner. Mr. Pincus and Mr. Snyder were formerly partners of Charles Clark & Co., with which Mr. Robner was also associated in the municipal trading department.

A. M. Farley Dies

Andrian M. Farley, Vice-President and account executive of Albert Frank-Guenther Law, Inc., advertising agency, 131 Cedar Street, died at Doctors' Hospital after being stricken Monday afternoon at his office. Mr. Farley, who was fifty-seven, had been with Albert Frank-Guenther Law for the past twenty years.

NOTICE OF REDEMPTION

To the Holders and Registered Owners of

Southern Pacific Railroad Company

First Refunding Mortgage Gold Bonds, Due January 1, 1955.

NOTICE IS HEREBY GIVEN that, in accordance with the terms of the said Bonds and of the First Refunding Mortgage dated January 3, 1905, executed by Southern Pacific Railroad Company and Southern Pacific Company to The Equitable Trust Company of New York, as Trustee (under which Mortgage The Chase National Bank of the City of New York is now Successor Trustee), Southern Pacific Railroad Company has elected to exercise its right to redeem, and will pay and redeem on January 1, 1946, all of the Southern Pacific Railroad Company First Refunding Mortgage Gold Bonds, due January 1, 1955, outstanding under and secured by said First Refunding Mortgage at 105 per cent. of the face value thereof, with accrued interest thereon to January 1, 1946.

On January 1, 1946, there shall become and be due and payable upon all of said Bonds, at the agency of the Railroad Company, namely, The Chase National Bank of the City of New York, Successor Trustee under said Mortgage, 11 Broad Street, New York 15, New York, the principal thereof, together with accrued interest thereon to January 1, 1946, and a premium of five per cent. (5%) upon the face value of said Bonds. From and after such redemption date of January 1, 1946, all interest on said Bonds shall cease to accrue, and the coupons for interest maturing subsequent to said date shall be and become void.

Holders and registered owners of the above-described Bonds should present and surrender them for redemption and payment as aforesaid on or after January 1, 1946, at said agency of the Railroad Company, with, in the case of coupon Bonds, all coupons maturing subsequent to January 1, 1946, attached. Coupons due January 1, 1946, may accompany said Bonds when presented for payment or may be presented for payment in the usual course. In the case of registered Bonds, where payment to anyone other than the registered holder is desired, the Bonds should be accompanied by proper instruments of assignment and transfer.

SOUTHERN PACIFIC RAILROAD COMPANY,
By J. A. SIMPSON, Treasurer.

Dated: September 26, 1945.

PREPAYMENT PRIVILEGE.

Holders and registered owners of the above-described Bonds desiring to receive prior to the redemption date payment of the full redemption price (including premium and accrued interest to January 1, 1946), may do so upon presentation and surrender of said Bonds in the manner prescribed in the foregoing notice, at The Chase National Bank of the City of New York, 11 Broad Street, New York 15, New York, the agency of the undersigned.

SOUTHERN PACIFIC RAILROAD COMPANY,
By J. A. SIMPSON, Treasurer.

McLAUGHLIN, BAIRD & REUSS
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BOND BROKERAGE SERVICE
Specializing in Railroad Securities

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Long Term Forces Affecting Stocks

(Continued from page 1821)

at the end of 1929, when it was $16,931,000,000. Coincidental with this expansion, bank deposits increased greatly, an important factor to the whole economic picture, so that there is now a superabundance of credit available to the public.

A portion of the money and credit has been used by the public to purchase securities, first discount bonds, then discount preferred stocks, and at the present time common stock equities. This demand for securities has resulted importantly from the continuous shrinkage in the purchasing power of the dollar, causing investors to seek a means to offset this shrinkage by buying securities capable of price appreciation.

Therefore, the same demand factor for securities, in a multiplied form, exists today as existed in the bull market of 1920-1929.

Source of Supply

In the culmination stage of the bull market of 1920-1929 the capital gains tax was at the rate of 12½%, after specified exemptions, and, although appreciably lower than the present maximum rate of 25% on long-term gains, with short-term gains considered as current income, loomed large to investors who had substantial profits.

In fact, in 1929 the capital gains tax was an important reason why so-called insiders who owned large blocks of corporate securities did not dispose of them. This reluctance to sell occurred in spite of the fact that the insiders believed that their shares were selling at values far in excess of the most optimistic price-earnings ratio estimates. Moreover, these insiders being, as a rule, large holders, would not supply stock to the market in view of the abundance of money and credit afforded by the Federal Reserve System, because they did not wish to risk losing practical voting control of their corporations.

Today the capital gains tax is a high hurdle to be overcome for the potential seller or supplier of stocks, because he must pay 25% of his profits to the Federal Government (to say nothing of State taxes), so if profits are taken and taxes paid thereon the market must react substantially before the investor can reenter it profitably.

Hence it is evident that the capital gains tax is an effectively restricting influence, withholding the supply of stocks to the market.

At the present time there is little to indicate that the capital gains tax will be modified, and since there does not seem to be any large amount of new equity financing of an investment grade, due to the large cash resources of the well-established industrial companies and their ability to finance through low-rate bond and preferred issues, the supply of common stocks is likely to remain relatively limited for some time to come.

The public generally has a limited knowledge of the economic forces controlling supply and demand, but rather is influenced and made uncertain by the news events occurring from day to day. These minor factors may cause irregularity and even substantial market reactions. Opportunity to purchase stocks is afforded by reactions in market prices when the fundamental forces, as they do now, so clearly indicate a long-term uptrend.

Other Bullish Factors

In support of the underlying bullish indications given above, both supply and demand, there are certain factors which make the nearby development of a major bear movement unlikely. These are:

1. Savings by individuals unprecedented in amount.
2. The present tax cushion and expectation of drastic tax cuts.
3. Margin requirements of 75%.
4. Deferred demand for goods.
5. No wild price inflation.
6. No large private debt.
7. Strength of financial institutions.
8. Financial strength of corporations.
9. No inventory accumulations.
10. Foreign trade low, but prospects great.
11. Guarantee of bank deposits.
12. Unemployment insurance.

Conclusion

The real basic causes of the 1928-1929 boom were two acts of the Government; first, the Federal Reserve System, the fountain of credit, supplying the funds to create the demand, and, second, the capital gains tax, which restricted the supply of stocks and caused the people who knew values to hold stocks even though they were obviously over-priced.

Today these two basic factors for higher security prices are not only present as they were in 1928-1929, but they are present with multiplied force.

A time to be fearful about the stock market will be when either of these fundamentals is changed so that demand is greatly reduced or the supply of stocks is broadly increased. No such conditions appear likely in the foreseeable future.—Reprinted from the Oct. 11, 1945, issue of "Investment Timing," published by the Economics and Investment Department of the National Securities and Research Corporation, New York, N. Y.

Hirsch & Co. Answer SEC Charges

A partner of Hirsch and Company in an interview yesterday commented on the proceedings brought against his and three other firms by the SEC for alleged margin rule violation, as follows: "Our only information as to the proceedings instituted by the SEC before the U. S. District Court in Cleveland is derived from a Dow-Jones Ticker Report and from this morning's newspapers. It appears that certain cash purchases were made by us on the New York Stock Exchange for the First Mahoning Company, an investment concern, and by a Mr. Richard C. Brown, an officer of the corporation, both of Youngstown, Ohio. In making delivery of the purchased securities we followed our customary procedure with respect to cash purchases made in New York for customers located in the Ohio area. In each instance the securities were shipped to a trust company in Cleveland, where our firm has its Ohio account, with instructions to ship the securities, with the trust company's draft attached, to a Youngstown bank, for delivery against payment of the draft. On payment of the drafts the payments were to be credited to our account with the trust company; and advices were received from time to time from the trust company showing that the drafts had been paid and the payments had been credited to our account with it.

"Several months prior to the first purchases of securities by us for the First Mahoning Company or Mr. Brown, the trust company had been advised by us in writing that each of its drafts would have to be paid within seven days after the date of the purchase of the securities to which it related, and the trust company was directed to notify our Cleveland office if any draft had not been paid on the 6th day after the date of the purchase. This the trust company agreed to do. Through oversight, it did not perform its agreement in that regard, since at no time did we receive notice of the non-payment of any of its drafts. This oversight on the part of the trust company is doubtless explainable by the fact that all the drafts were paid, that in most instances payment was made a very few days after expiration of the 7-day period, and that at no time was any large amount involved in drafts that had not been promptly paid.

"The First Mahoning Company and Mr. Brown were customers of ours for a period of only 12 months, and the aggregate amount involved in all their transactions with us over the entire period was only about $285,141, as distinguished from the $1,250,000 mentioned in the newspapers. In June, 1945, we learned, for the first time, that the drafts of the trust company had not been paid on time; whereupon we promptly closed their accounts, and have since had no transactions with or for them of any kind.

"Although it seemed likely that the 35-day rule of the SEC applied to purchases of the kind above mentioned, in our instructions to the trust company we expressly specified a 7-day period, so that they would also be within the 7-day rule. Needless to say, if the 35-day rule is applicable, none of the transactions involved even a technical violation."

The show cause orders were issued Tuesday by Judge Robert N. Wilkin of the U. S. Court in Cleveland in connection with three companion cases instituted by the SEC. Violations of Regulation T under the Securities Exchange Act were alleged. The defendants must show cause why preliminary injunctions should not be entered against them at a hearing in Cleveland on October 31. In addition to Hirsch and Co., they are: Butler, Wick and Co. and S. T. Jackson and Co. of Youngstown; A. E. Masten and Co. of Pittsburgh, and their customers, Richard C. Brown and the First Mahoning Company of Youngstown. Mr. Brown is Secretary-Treasurer of First Mahoning, an investment concern.

NOTICE OF REDEMPTION

to the holders of

NORTHERN PACIFIC RAILWAY COMPANY

REFUNDING AND IMPROVEMENT MORTGAGE 6% BONDS,

SERIES B, DUE JULY 1, 2047

NOTICE IS HEREBY GIVEN that Northern Pacific Railway Company has elected to redeem and pay off on January 1, 1946, all of the above-mentioned Refunding and Improvement Mortgage 6% Bonds, Series B, at 110% of their principal amount, together with accrued interest on such principal amount to said date, in accordance with the terms of said bonds and the provisions of Article Ten of the Refunding and Improvement Mortgage, dated July 1, 1914, from Northern Pacific Railway Company to Guaranty Trust Company of New York and William S. Tod, Trustees, and that on January 1, 1946, there will become and be due and payable upon each of said bonds at the office of J. P. Morgan & Co. Incorporated, in the Borough of Manhattan in The City of New York, N. Y., the principal thereof, together with a premium of 10% of such principal amount, and accrued interest on such principal amount to said date. From and after January 1, 1946, interest on said bonds will cease to accrue and any coupon for interest appertaining to any such bond and maturing after said date will become and be null and void.

Coupon bonds should be presented and surrendered for payment and redemption as aforesaid with all coupons payable July 1, 1946, and thereafter attached. Coupons due January 1, 1946, may be detached and presented for payment in the usual manner. Interest due January 1, 1946, on fully registered bonds will be payable only upon surrender of such bonds for redemption. Registered bonds, in cases where payment to anyone other than the registered owner is desired, must be accompanied by proper instruments of assignment and transfer.

NORTHERN PACIFIC RAILWAY COMPANY

By A. M. Gottschald,
Secretary

New York, N. Y., September 26, 1945

OFFER OF PREPAYMENT

Holders desiring to receive immediate payment of the full redemption price including interest to January 1, 1946, may do so upon presentation and surrender of said bonds at the office of J. P. Morgan & Co. Incorporated, in the Borough of Manhattan in The City of New York, with the January 1, 1946, and subsequent coupons attached.

GREAT NORTHERN RAILWAY COMPANY

General Mortgage Gold Bonds

SERIES E, 4½%, DUE JULY 1, 1977

Great Northern Railway Company has irrevocably directed The First National Bank of the City of New York to publish appropriate notices calling for redemption on July 1, 1947 the entire issue of the above mentioned Series E Bonds then outstanding at 105% of principal amount plus accrued interest to said date.

Great Northern Railway Company hereby offers to purchase said Series E Bonds from the holders thereof up to and including December 31, 1945, excluding Saturdays, Sundays and holidays, at prices dependent on the date of delivery for purchase, such prices decreasing from 111.99% of principal amount as to Bonds delivered on September 24, 1945 to 110.93% of principal amount as to Bonds delivered on December 31, 1945, to yield in all cases ½% to July 1, 1947, the date of redemption. Accrued interest at 4½% per annum from July 1, 1945 to the date of purchase will be added in each case. The Company has prepared a table showing the price so payable as to Bonds delivered on each day (other than Saturdays, Sundays and holidays, which days are not delivery dates) from September 24, 1945 to and including December 31, 1945 and will be glad to advise bondholders thereof upon request. Holders of said Series E Bonds desiring to accept this offer should deliver their Bonds with all unmatured appurtenant coupons to The First National Bank of the City of New York, at its office, No. 2 Wall Street, New York 15, N. Y. against payment of the purchase price and accrued interest as aforesaid.

SERIES I, 3¾%, DUE JANUARY 1, 1967

Great Northern Railway Company has irrevocably directed The First National Bank of the City of New York to publish appropriate notices calling for redemption on January 1, 1946 the entire issue of the above mentioned Series I Bonds then outstanding at 104% of principal amount plus accrued interest to said date.

Holders of said Series I Bonds may immediately obtain the full redemption price thereof including accrued interest to January 1, 1946 by surrendering such Bonds with all unmatured appurtenant coupons to The First National Bank of the City of New York, at its above mentioned office.

GREAT NORTHERN RAILWAY COMPANY

By F. J. GAVIN, *President*

St. Paul, Minnesota,
September 24, 1945.

The Financial Outlook

(Continued from page 1819)

derstand clearly is that total deposits will continue to increase for some time. There are several reasons for this. Let us look at the more important ones:

1. Business, other than banks and insurance companies, holds $32 billion of government securities. Even though some $10 billion of this consists of tax anticipation notes, it seems clear that ultimately from $15 billion to $20 billon of these securities will be shifted directly or **indirectly** to the banks as business needs funds for one purpose or another. **This will increase deposits.**

2. Of the **$46** billion ot savings bonds now outstanding, $13 billion consists of F and G bonds in which the rate of redemption will be slow. Of the $33 billion of E bonds sold, $11 billion is in denominations of $500 to $1,000, and here, also, the redemption rate is considerably less than in the smaller bonds. But redemption of the balance of $22 billion of E bonds may be expected to continue, in fact, may possibly accelerate. All in all, at least 25% of the total of series E, F and G bonds will probably be redeemed. **This means more securities sold to banks, which means increased deposits.**

3. Banks will continue to play an important role in financing the budget deficits. **This will increase deposits.**

4. The gold flow has been reversed, and imports and releases from earmarking are once more greater than exports and earmarking. The other nations of the world have more gold than is generally realized. They need our goods desperately—so, unless another lend-lease system is devised, we may expect the inflow to the banks to become a golden torrent. **This will increase deposits and reserve balances.**

5. The return flow of currency from abroad will be much heavier than most bankers expect. **This will increase deposits and reserve balances.**

6. The disappearance of the black market, increasing unemployment, and migration of workers will cause pocket money in large volume to return to the banks. After the Christmas shopping season, if not before, a return flow of currency from domestic holders should start in volume. **This will increase deposits and reserve balances.** Parenthetically, may I remind you that $4.7 billions of currency did the job in 1929 whereas we have $28 billions in circulation now. Obviously, such a swollen total could be the source of an enormous increase in deposits.

While there are still other factors which will tend to increase deposits, the foregoing seven amply warrant my conclusion. But mark this: **Opposed to these six powerful forces increasing deposits I do not know of a single economic factor of any consequence which will reduce deposits.**

Shifting of Deposits

While the grand total of deposits for the country will increase in the next 12 months, there is bound to be a great deal of shifting of deposits, crisscrossing from bank to bank and from one section of the country to another as workers return home and as industry shifts to secure competitive advantage. Uneconomic plants and plant locations will be abandoned.

While deposits will leave New England for Detroit and Dayton and South Bend, on balance, New England, in my opinion, will gain more deposits than she loses. As you know, the volume of deposits in New England did not increase during the war anything like as much as in the rest of the country. Other sections of the country proportionately received more war contracts and thus had a greater increase in deposits. The natural redistribution or leveling out over the country of these deposits should be extremely favorable to New England. Frankly, when I look at the enormous wartime increase in deposits in, say, California and then give a thought to the peacetime prospects of the aeroplane manufacturing industry, which are placed at 5 to 10% of war volume, I do not see how New England can fail to gain a large volume of deposits at the expense of such "hothouse" growths.

In addition to this over-all, countrywide, leveling process, New England deposit growth will be favorably affected by certain special factors. Thus, New England is the center of small manufacturing in steel, iron, brass, copper, and other metals which will profit handsomely from the building boom which promises to sweep the entire country.

I also look forward to a boom in travel in America. I have a curious theory that the travel backlog is more real than some of the consumer goods backlogs. Abolition of gasoline rationing and the gradual elimination of railroad and plane accommodation restrictions will permit this travel revival to get under way, and the return of tourists to New England will certainly increase local deposits.

Trade with Europe promises to be in large volume in the near future, at least. International trade and revival of shipping will be especially favorable to the growth of New England deposits.

And last, and most important, New England is a great center of investors. Income from this source will continue to swell deposits.

To summarize: It seems indisputable that total deposits of the country will increase in the coming year. It seems even more indisputable (if that is possible) that deposits in New England will increase, particularly during the next 12 months.

Outlook for Bank Loans

Now, let us analyze the outlook for loans. The volume of loans **should increase** but no one can be certain, as this will depend almost entirely **on the bankers themselves.** Positive action will be necessary to secure loan volume. New methods and new attitudes are imperative if bankers are to develop the potentialities of the loan field because the loan field has changed! When it comes to loans, too many bankers act like the retired judge who was elected cashier of the local bank. A man presented a check to be cashed. "Don't know you," greeted the new cashier. The customer presented a credit card, a business card, and a lot of letters addressed to himself. "Not sufficient identification," said the cashier, pushing the check back. "Why, Judge," protested the man, "I've known you to hang a man on less evidence than that." "That may be," said the cashier, "but when you're paying out money, you have to be careful."

Still other bankers look far afield instead of developing the vast credit potentialities in their own front yard. They forget that the great business successes have come from dealing with the man on the street rather than the man on the avenue! Such bankers remind me of the two Irish immigrants who, no more than they got off the Ellis Island boat at South Ferry, New York City, spied an old and worn but obviously wellfilled pocketbook on the sidewalk. One started to pick it up but the other said, "Don't take that one, Pat. We'll find a **new** one in the next block!"

If banks are willing to learn consumer credit—and it is far removed from producer credit—and are willing to resolutely enter the field, they will uncover an almost limitless source of demand for credit. And, I don't have to remind you that the rates in this field are much higher than in any other field—particularly if you get out of the areas preempted by the sales-finance companies. But that is exactly what most of you are not doing! You are going to battle the billion dollar sales-finance companies, and what a battle it is going to be, as witness the rate war which broke out in New York City last month. The sales-finance companies have the inside track, yet you will compete with them for automobile and refrigerator paper and neglect the far more important, less competitive, and more profitable field of personal loans. When I say more profitable, I mean, of course, if properly developed and handled by men who know the field.

The first principle of economics is: "Human wants are insatiable." Just remember that when you start to estimate the potentialities of consumer credit. As for loans along more conventional lines, I am not optimistic. Of course, there will be some loans to finance reconversion and to carry concerns until contract termination payments are received from the Treasury. Veterans will seek loans to start various small business ventures; home repair and rehabilitation loans will also be in some demand — but probably nothing startling. The volume of mortgages will increase but only at a slow rate. Transactions arising out of foreign trade will increase and should to some extent supply an outlet for bank credit, unless the bankers refuse or the Government carries the credit directly or indirectly. The greatest demand for commercial bank credit will undoubtedly be for the purpose of accumulating inventories and financing the restoration of a normal volume of accounts receivable, particularly at the manufacturing level. As credit terms are lengthened and volume rises, the demand for such financing should be very substantial.

In the next year, more than ever before, loans will be what **you** make them. I urge you to be aggressive in seeking loans especially the smaller loans. Remember, if you don't make the loans, the Government will be importuned to make them and probably will not be a "reluctant dragon." At least, it has not been in the last 12 years.

Investments

Let us now turn our attention to investments. Here the picture is encouraging. First, money rates will not change materially in the next 12 months. Last October I categorically reassured this distinguished audience in these exact words: "There is no question in my mind but that the monetary authorities can keep interest rates down, **or push them even lower**, if they feel it is advantageous for them to do so." The movement of money market rates during the past year has amply borne out that prediction. The easy money policy of the Treasury has not changed and **it will not change during the next 12 months.** The return of currency to the banks and the inflow of gold will broaden the credit base. The continued increase of deposits as set forth in some detail at the beginning of this talk will cause the demand for prime investments to continue strong. From all angles the money market is in a favorable position and the powers of the monetary authorities over the money market remain almost absolute!

With respect to Government bond prices, fluctuations are bound to take place. Deposit shifts, tax debates, rumors of change in Treasury policy, and plain old-fashioned scalping and chiseling will cause changes in the market. (As you know, many bankers still expect the **yield** on Governments to go up!) But, on balance, the Government bond market will hold its own. Bank eligible issues, especially the medium-term obligations, will remain firm. While there is a possibility that the bill rate may be unpegged, in which event it may rise to ½ or ⅝ of 1%, I do not expect any material change in the other rates.

As tax reduction discussions hit the headlines, you can expect fluctuations in the partially tax-exempt and also in the fully tax-exempt securities. On balance, I do not now anticipate any consequential change in either yield or price during the next 12 months on the partially tax-exempts. But, as you well realize, the fully tax-exempts are quite another matter. Considerable changes will undoubtedly take place in the prices and yields of the fully tax-exempts because of tax modifications and changes in the credit position of the individual borrowers.

The volume of financing, other than Governments, will increase in the coming year. The investment market will be active with new issues, refundings, secondary distributions, and even a revival of foreign securities. But when you consider this demand, don't jump to the conclusion that interest rates will go up. Don't ever for one moment forget that the adjusted bank deposits (eliminating Government and interbank deposits) and currency outside banks are now nearly $140 billion and that the total will further increase next year!

This brings up the well-used ogre of inflation. There are some who say that the Government will have to put up interest rates to prevent inflation. Let us dispose of that in short order by pointing out that we now have a well-established pattern of differentiated interest rates and that if the Government should have to put up rates, which I do not for a moment anticipate, those put up certainly will not be the rates on bank eligible securities.

It seems appropriate here to make a few observations on the reduction in the danger of inflation. Let me summarize, as our time is getting short:

1. Both wars ended earlier than was anticipated. This is particularly true of the Japanese war which was expected by military authorities to drag on another year at the very minimum.
2. Conversion is at a much faster rate than anyone dared to hope. Although it will take some time for durable consumer goods to appear in the market **in quantity**, consumer goods in general are returning to retail channels in a rising tide which will quickly cure the shortage problem in most lines. (Housing is a notable exception.)
3. Supplies of even scarce goods are such that all rationing controls either have been, or will be, quickly removed. **Goods, of course, are the real antidote to inflation pressure.**
4. Payrolls are declining and, for the first time in many years, a lot of war workers are learning about unemployment. These have both a direct and indirect (psychological) deflationary effect.
5. The end of the war finds us in the best position of any country in the world as indicated in the following brief summary:
   a. No direct war damage at home.
   b. Productive facilities far beyond the needs of the country (if such a thing can be possible!).
   c. By far the strongest financial position of banks, corporations and individuals—both credit and capital.

The foregoing are definitely anti-inflationary forces.

On the other hand, we have **three serious inflationary forces:**

1. Large volume of money and credit. But, goods can be produced to meet even fantastic demands in the United States; furthermore, just because people have money it does not necessarily follow that they will spend it. Such a conclusion depends too much on, as the psychologists put it, behaviorism. Man is neither an automatic machine nor an animal.
2. Labor difficulties, **which are now bad and promise to be even more serious,** may restrict the production of goods—in particular, if labor persists in its policies of restricting output, featherbedding, etc.
3. Boom in the stock market, the psychological effect of which is great. However, I believe that the labor difficulties will exercise an adverse effect on the price of equities.

In conclusion, I expect somewhat higher prices because of psychology, supply of money and credit, taxes, etc., but I cannot conceive of run-away inflation or even sharp price increases of any great consequence. **To "stick my neck out"** I would say that the index of wholesale prices which is today 105 will a year from today not be higher than 115 or lower than 95. **Hence, I personally fear neither inflation nor deflation during the next 12 months.**

When you have to study all of these new developments in the field of economics and finance, in addition to doing your daily banking work, you have a right to feel discouraged. You can't be blamed if you feel about economics as Mark Twain did about the study of German. On one of his exercises which had been corrected and returned by his teacher, Mark wrote, "The grammar of this language consists wholly of exceptions and the exceptions to the exceptions constitute the rules."

Really economics is not that bad. But you must guard against the mental habits ascribed to a young lady by Henry James when he said, "She thought in **italics** and felt in **capitals.**"

Halsey, Stuart Group Sells Terminal RR. Bds.

Halsey, Stuart & Co., Inc., and associates, Oct. 15, won the award in close bidding competition of New York Connecting RR's offering of $25,982,000 in new first mortgage bonds, due 1975. Their bid named a price of 99.2799 for a 2⅞% coupon. Halsey, Stuart & Co., Inc., and associates reoffered the bonds to the public at 100 and interest, subject to approval of the Interstate Commerce Commission. The issue will be guaranteed as to principal, interest and sinking fund payments by Pennsylvania RR. and trustees of the New York, New Haven & Hartford RR. New York Connecting RR. will apply the proceeds to redemption on Dec. 1, 1945, of its outstanding first mortgage 3½% bonds, series A.

R. H. Noland Rejoins Staff Of Lord, Abbett & Co.

Lord, Abbett & Co., Inc., 63 Wall Street, New York City, announce that Robert H. Noland has rejoined their organization as New England representative. Mr. Noland has been serving as a Lieut. Colonel in the Army Air Corps.

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Dresser Industries Pfd. Shares Offered

Public offering was made Oct. 16 of 60,000 shares of Dresser Industries, Inc., preferred stock (cumulative) 3¾% Series ($100 par) convertible prior to Sept. 15, 1955, into common stock at the rate of 2½ shares of common for each share of preferred. The offering was made at $103 per share and accrued dividends by a group of 27 underwriters headed by Harriman Ripley & Co., Inc., and including Reynolds & Co.; Glore, Forgan & Co., Kidder, Peabody & Co. and Lazard Freres & Co.

The preferred stock is subject to redemption at $107.50 per share to Sept. 15, 1950, and $105 thereafter to Sept. 15, 1955, and at $104 thereafter. It is also redeemable after Sept. 15, 1955, through operation of an annual retirement fund at $103 per share.

Harvesting In Canada Prairie Provinces

Snow and heavy rains have seriously delayed harvesting operations in the Prairie Provinces of Canada, according to the Oct. 4 crop report by Bank of Montreal. It was added that threshing would not become general again for a few days, even with good weather. It was further stated that while the quality of early returns was satisfactory, the prolonged wet spell will lower the grades of unthreshed grain. In its crop report the bank also commented as follows:

"Pastures generally are in good condition. Grain harvesting in the Province of Quebec is about completed and threshing is well advanced. The potato crop is fair to average and other roots indicate satisfactory yields. Canning crops on the whole are good.

"In Ontario, heavy rains during the last two weeks have retarded harvesting of late crops and the seeding of fall wheat. Early sown grain is making good progress.

"In the Maritime Provinces, harvesting of grain crops is nearly completed. Threshing is well advanced but returns in nearly all districts will be below average. In British Columbia harvesting of late fruit and vegetables is being completed under favorable conditions."

Twombly Heads Kenny Foundation Drive Div.

H. McKay Twombly, Reynolds & Co., New York, New York, has been apopinted Chairman of the Investment Division in the 1945 Sister Kenny Foundation drive to fight infantile paralysis.

Anouncement of the appointment was made by Bing Crosby, national drive Chairman, along with 30 other industrial, commercial, civic, professional, fraternal labor, religious and veterans' leaders who will head various divisions in the campaign.

The drive for $5,000,000 will get under way Nov. 22 and continue through mid-December, Crosby said. It will be patterned along lines of the annual Red Cross, Community Fund and similar appeals.

Barysh on Business Trip

Murray L. Barysh of Ernst & Company, 120 Broadway, New York City, will leave on October 21st for a visit to the Chicago financial district where he will remain for about a week.

Business with Canada

In order to expedite business between the United States and Canada, our New York Agency is connected with our Toronto and Montreal offices by a private wire system.

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Canadian Securities

By BRUCE WILLIAMS

A long-standing blot on U. S.-Canadian financial relations appears about to be erased. The new extradition treaty between the two countries is making progress and, if finally agreed upon either in its present form or with the proposed amendments now being drafted in Ottawa, it will go a long way toward eliminating stock racketeering in this country by persons who use Canadian residence to avoid our laws.

As originally drafted, the new treaty did not draw a line between deliberate criminal acts and "technical" offenses committed unwittingly by innocent persons because of different legal methods in the two countries. The Canadian Government has—and we believe rightly—objected to adoption of the treaty without incorporating sufficient protection in it for legitimate Canadian investment firms who unknowingly violate technical U. S. security regulations. The new amendments, designed to provide this protection, are expected to be ready for action by the Canadian Parliament before the end of this month.

The sooner this treaty becomes effective, making it possible for our authorities to extradite from Canada stock racketeers who are willfully violating our securities laws, the better it will be for both countries. Recently a Canadian security offering, Gaspe Oil Ventures, Ltd., was made here—the first to be registered with the SEC. There should be a great deal more legitimate financing of Canadian enterprise in this country and elimination of the stock racketeers across the border who are preying on American investors will greatly facilitate this development.

* * *

We have read a lot about the "toughness" of the Russians in both political and commercial negotiations. It is interesting to note that Russian trade relations with Canada are no exception to this general impression. At the moment negotiations between the two countries on a large volume of industrial contracts and on the terms and conditions of a new postwar credit are deadlocked. Some contracts have already been canceled and the Russians are making the familiar claim that Canadian costs and other terms are excessive. Canadians on the other hand feel that the Russians are being unreasonable in their demand for quicker delivery, cut-rate prices and lower long-term credits.

* * *

Turning to the market for the past week, there is little to report beyond the firming of the official exchange rate, with the premium on American dollars closing from 10%-11% to 10%-10½%. This change in the official rate had a somewhat strengthening effect on the market in New York. Dominions were very firm and quiet with no pressure evident in any section of the list. Corporate bonds were generally firm and a bit stronger.

At present there is no development in the offing which would appear likely to affect the present tone of the market. The outlook is for continued firmness and quiet trading.

Canada Announces New Exchange Rates

The Canadian Foreign Exchange Control Board announced on Oct 13 that the rate at which it will sell United States dollars has been reduced from 11 to 10½% premium while the rate for selling sterling has been reduced from $4.47 to $4.45 per pound. Oct. 15 Associated Press advices from Ottawa Oct. 13, appearing in the New York "Times", added:

"Effective Monday, premiums for purchases and sales of exchange for spot delivery will be:

	Buying	Selling
U. S. dollars----	10%	10½%
Sterling -------	$4.43	$4.45

The Board said the change reduces the cost of foreign exchange sold to the public without altering the price paid to the public and narrows the spread between buying and selling rates by one-half of 1%.

Simultaneously, it was announced, the Board has decided to make "swap facilities" in United States dollars available to residents of Canada for the purpose of financing commercial operations involving the production and distribution of goods. Swap transactions, which the board hitherto has made available only to the grain trade, involve the sale of spot exchange simultaneously with the fixing of the rate for the repurchase of a similar amount of exchange for forward delivery. The rate for swap transactions will be three-sixteenths of 1% for each 30 days.

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Manning of Alberta In N. Y. on New Issue

Premier E. C. Manning and other officials of the Province of Alberta are scheduled to arrive in New York today for final negotiations in connection with Alberta's proposed issue of $26,093,000 debentures. The Alberta executives will confer with the group of American investment firms which will underwrite the debenture issue as the final step in the debt refunding program of the Province.

The First Boston Corp. will head the underwriting group and a public offering of the debentures is expected to be made next week, subject to clearance by the SEC.

Financial interests have arranged several luncheons in honor of Premier Manning and his associates. They will be given by The First Boston Corp.; H. Donald Campbell, President of the Chase National Bank; F. Abbot Goodhue, President of the Bank of the Manhattan Co., and Norman S. Taber, municipal finance specialist, who is acting as special financial adviser and consultant to the Province of Alberta.

Byllesby & Co. Adds Thorpe & McCullough

H. M. Bylllesby & Co., Inc., 111 Broadway, New York City, announces the association with them of Warren Thorpe, Jr. in their statistical department, and Stanley McCullough in their sales department. Mr. McCullough has been conducting his own investment business in Bayonne.

Scott With Lester & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CAL. — Charles C. Scott has become associated with Lester & Co., 621 South Spring Street. Mr. Scott was formerly with Bankamerica Company and Banks, Huntley & Co., and in the past was an officer of D. A. Hill & Co.

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$4,330,000 FULLY REGISTERED NEW JERSEY COUNTY, MUNICIPAL, AND SCHOOL BONDS TO BE SOLD TUESDAY, OCTOBER 23, 1945

At 2:00 P. M., Tuesday, October 23, 1945, the Board of Trustees of the Teachers' Pension and Annuity Fund will receive and open in their office, Room 1307, Trenton Trust Building, Trenton, sealed bids for the purchase of $4,330,000 high grade registered New Jersey county, municipal, and school bonds maturing from 1946 to 1957. Sealed bids will be considered for all of the following fifty-six separate blocks.

Block No. 1—$34,000

$14,000 Bergen County, Public Improvement 5¾'s, dated December 1, 1932, maturing December 1, 1952. Opinion of Reed, Hoyt and Washburn.

$20,000 Bergen County, Public Improvement 4½'s, dated December 1, 1930, maturing $10,000 on December 1, 1953 and 1956. Opinion of Reed, Hoyt and Washburn.

Block No. 2—$300,000

$20,000 Camden County, Improvement 2¼'s, dated November 1, 1940, maturing $5,000 November 1st each year from 1952 to 1955, inclusive. Opinion of Hawkins, Delafield and Longfellow.

$5,000 Camden County, Park 3¼'s, dated June 1, 1939, maturing June 1, 1952. Opinion Hawkins, Delafield and Longfellow.

$160,000 Camden County, Building Gold 4½'s, dated July 1, 1924, maturing $25,000 on July 1, 1950; $10,000 on July 1, 1951; $35,000 on July 1, 1952 and 1953; $40,000 on July 1, 1954, and $15,000 on July 1, 1957. Opinion of Hawkins, Delafield and Longfellow.

$65,000 Camden County, General Improvement 4¼'s, dated April 1, 1926, maturing $5,000 on April 1, 1946; $50,000 on April 1, 1951, and $10,000 on April 1, 1954. Opinion of Hawkins, Delafield and Longfellow.

$20,000 Camden County, Park 4½'s, dated January 1, 1929, maturing $10,000 on January 1, 1948 and 1950. Opinion of Hawkins, Delafield and Longfellow.

$30,000 Camden County, Building and Highway 4½'s, dated January 1, 1929, maturing $5,000 on January 1, 1952 and 1953, and $20,000 on January 1, 1955. Opinion of Hawkins, Delafield and Longfellow.

Block No. 3—$45,000

$20,000 Cape May County, General Finance 4½'s, dated February 1, 1927, maturing $20,000 on February 1, 1947. Opinion of Caldwell and Raymond.

$10,000 Cape May County, Bridge Refunding, Serial 5's, dated May 15, 1924, maturing $2,000 on May 15th each year 1949 to 1953, inclusive. Opinion of Caldwell and Raymond.

$12,000 Cape May County, General Construction, Series 2, 5's, dated March 1, 1931, maturing March 1, 1948. Opinion of Caldwell and Raymond.

$3,000 Cape May County, General Construction 5¼'s, dated November 15, 1929, maturing November 15, 1947. Opinion of Caldwell and Raymond.

Block No. 4—$168,000

$26,000 Hudson County, County Jail 4½'s, dated July 1, 1926, maturing $18,000 on July 1, 1949, and $8,000 on July 1, 1950. Opinion of Hawkins, Delafield and Longfellow.

$27,000 Hudson County, Hospital for Insane 4½'s, dated July 1, 1926, maturing $7,000 on July 1, 1949; $17,000 on July 1, 1950, and $3,000 on July 1, 1951. Opinion of Hawkins, Delafield and Longfellow.

$115,000 Hudson County, Hospital 4's, dated March 1, 1934, maturing $5,000 on March 1, 1949; $60,000 on March 1, 1951, and $50,000 on March 1, 1952. Opinion of Hawkins, Delafield and Longfellow.

Block No. 5—$14,000

$5,000 Middlesex County, Vocational School, Series 5, 4¾'s, dated July 1, 1929, maturing July 1, 1955. Opinion of Caldwell and Raymond.

$9,000 Middlesex County, Bridge, Series 17, 4¼'s, dated July 15, 1926, maturing July 15, 1955. Opinion of Caldwell and Raymond.

Block No. 6—$155,000

$10,000 Monmouth County, Road 4½'s, dated March 15, 1926, maturing March 15, 1948. Opinion of Caldwell and Raymond.

$35,000 Monmouth County, Road, 4¼'s, dated March 15, 1928, maturing March 15, 1946. Opinion of Caldwell and Raymond.

$6,000 Monmouth County, Jail 4¼'s, dated March 15, 1928, maturing $3,000 on March 15, 1946 and 1947. Opinion of Caldwell and Raymond.

$4,000 Monmouth County, Bridge 4¼'s, dated March 15, 1928, maturing $2,000 on March 15, 1946 and 1947. Opinion of Caldwell and Raymond.

$16,000 Monmouth County, Bridge 4's, dated May 1, 1936, maturing $7,000 on May 1, 1951 and 1952 and $2,000 on May 1, 1954. Opinion of Hawkins, Delafield and Longfellow.

$43,000 Monmouth County, Welfare Home 4½'s, dated March 15, 1931, maturing $5,000 on March 15, 1946; $11,000 on March 15, 1951 to 1953, inclusive, and $5,000 on March 15, 1954. Opinion of Caldwell and Raymond.

$6,000 Monmouth County, Bridge 4½'s, dated March 15, 1931, maturing $4,000 on March 15, 1946, and $2,000 on March 15, 1951. Opinion of Caldwell and Raymond.

$5,000 Monmouth County, Road 4½'s, dated March 15, 1931, maturing $2,000 on March 15, 1946, and $3,000 on March 15, 1951. Opinion of Caldwell and Raymond.

$30,000 Monmouth County, Court House 4½'s, dated March 15, 1931, maturing $23,000 on March 15, 1946, and $7,000 on March 15, 1951. Opinion of Caldwell and Raymond.

Block No. 7—$136,000

$54,000 Ocean County, General Road 4¾'s, dated November 1, 1931, maturing $13,000 on November 1, 1946 and 1947, and $14,000 on November 1, 1948 and 1949. Opinion of Caldwell and Raymond.

$20,000 Ocean County, General Funding 4¾'s, dated June 1, 1935, maturing $10,000 on December 1, 1949 and 1950. Opinion of Hawkins, Delafield and Longfellow.

$62,000 Ocean County, Bridge 3¼'s, dated December 1, 1938, maturing $15,000 on December 1, 1949 and 1950; $2,000 on December 1, 1953, and $15,000 on December 1, 1954 and 1955. Opinion of Hawkins, Delafield and Longfellow.

Block No. 8—$11,000

$11,000 Passaic County, Road, Bridge, and County Building 6's, dated June 1, 1932, maturing June 1, 1952. Opinion of Hawkins, Delafield and Longfellow.

Block No. 9—$47,000

$10,000 Union County Road, Bridge and Hospital 4½'s, dated October 15, 1928, maturing October 15, 1952. Opinion of Reed, Hoyt and Washburn.

$30,000 Union County, Park 4¼'s, dated May 15, 1923, maturing $10,000 on May 15th each year 1951 to 1953, inclusive. Opinion of Reed, Dougherty and Hoyt.

$2,000 Union County, Park 4¼'s, dated June 15, 1925, maturing June 15, 1952. Opinion of Reed, Dougherty and Hoyt.

$5,000 Union County, Park 4¼'s, dated December 1, 1924, maturing December 1, 1951. Opinion of Reed, Dougherty and Hoyt.

Block No. 10—$59,000

$9,000 Audubon Borough, Camden County, School 5's, dated July 1, 1924, maturing $1,000 on July 1st each year 1946 to 1954, inclusive. Opinion of Hawkins, Delafield and Longfellow.

$50,000 Audubon Borough, Camden County, Sewer 5¼'s, dated December 1, 1929, maturing $5,000 on December 1st each year 1946 to 1955, inclusive. Opinion of Hawkins, Delafield and Longfellow.

Block No. 11—$66,000

$28,000 Belleville Town, Essex County, Public Improvement 2¾'s, dated August 1, 1940, maturing $7,000 on August 1st each year 1951, 1952, 1954 and 1955. Opinion of Reed, Hoyt, Washburn and Clay.

$3,000 Belleville Town, Essex County, Water 2¾'s, dated August 1, 1940, maturing $1,000 on August 1st each year 1951, 1952 and 1954. Opinion of Reed, Hoyt, Washburn and Clay.

$10,000 Belleville Town, Essex County, Street and Sewer 4½'s, dated September 1, 1924, maturing $5,000 on September 1, 1951 and 1952. Opinion of Reed, Dougherty and Hoyt.

$25,000 Belleville Town, Essex County, Water 4½'s, dated October 1, 1930, maturing $10,000 on October 1, 1953 and 1954, and $5,000 on October 1, 1955. Opinion of Reed, Hoyt and Washburn.

Block No. 12—$19,000

$19,000 Bound Brook Borough, Somerset County, General Improvement 2¾'s, dated August 1, 1937, maturing $5,000 on August 1, 1950; $10,000 on August 1, 1951, and $4,000 on August 1, 1952. Opinion of Caldwell and Raymond.

Block No. 13—$10,000

$10,000 Butler Borough, Morris County, School District 3½'s, dated January 1, 1937, maturing $5,000 on January 1, 1954 and 1955. Opinion of Hawkins, Delafield and Longfellow.

Block No. 14—$255,000

$105,000 Camden City, Camden County, Refunding, Series A, 2¾'s, dated November 1, 1940, maturing $15,000 on November 1, 1952; $20,000 on November 1, 1953; $30,000 on November 1, 1954, and $40,000 on November 1, 1955. Opinion of Hawkins, Delafield and Longfellow.

$150,000 Camden City, Camden County, Refunding, Series B, 2.60's, dated November 1, 1940, maturing $10,000 on November 1, 1950; $20,000 on November 1, 1951 and 1952; $30,000 on November 1, 1953 and 1954, and $40,000 on November 1, 1955. Opinion of Hawkins, Delafield and Longfellow.

Block No. 15—$32,000

$32,000 Carlstadt Borough, Bergen County, Sewer 3¼'s, dated January 1, 1939, maturing $8,000 on January 1st each year 1952 to 1955, inclusive. Opinion of Reed, Hoyt, Washburn and Clay.

Block No. 16—$75,000

$40,000 Carteret Borough, Middlesex County, Public Improvement 5's, dated December 1, 1930, maturing $5,000 on December 1, 1951 and 1952, and $6,000 on December 1st each year 1953 to 1957, inclusive. Opinion of Caldwell and Raymond.

$3,000 Carteret Borough, Middlesex County, School 5's, dated July 1, 1924, maturing July 1, 1952. Interest payable April and October 1st each year. Opinion of Caldwell and Raymond.

$11,000 Carteret Borough, Middlesex County, School 5's, dated January 2, 1922, maturing $10,000 on January 2, 1951, and $1,000 on January 2, 1952. Opinion of Caldwell and Raymond.

$21,000 Carteret Borough, Middlesex County, School 2¾'s, dated November 1, 1938, maturing $7,000 on November 1st each year 1953 to 1955, inclusive. Opinion of Caldwell and Raymond.

Block No. 17—$20,000

$20,000 Cedar Grove Township, Essex County, Water 4½'s, dated August 1, 1927, maturing $5,000 on August 1st each year 1946 to 1949, inclusive. Opinion Thompson, Wood and Hoffman.

Block No. 18—$38,000

$20,000 Cliffside Park Borough, Bergen County, School Refunding 4½'s, dated January 1, 1935, maturing $1,000 on January 1st each year 1946 to 1950, inclusive; $8,000 on January 1, 1951; $2,000 on January 1, 1952; $1,000 on January 1, 1953; $3,000 on January 1, 1954, and $1,000 on January 1, 1955. Opinion of Hawkins, Delafield and Longfellow.

$18,000 Cliffside Park Borough, Bergen County, Improvement Refunding 4½'s, dated June 1, 1935, maturing $9,000 on June 1, 1947; $5,000 on June 1, 1948, and $4,000 on June 1, 1949. Opinion of Hawkins, Delafield and Longfellow.

Block No. 19—$90,000

$10,000 Clifton City, Passaic County, Improvement 5¾'s, dated July 1, 1929, maturing July 1, 1952. Opinion of Hawkins, Delafield and Longfellow.

$15,000 Clifton City, Passaic County, School 4¼'s, dated September 1, 1927, maturing $5,000 on September 1, 1952, and $10,000 on September 1, 1954. Opinion of Hawkins, Delafield and Longfellow.

$10,000 Clifton City, Passaic County, Water Supply 3½'s, dated July 1, 1936, maturing $5,000 on July 1, 1954 and 1955. Opinion of Hawkins, Delafield and Longfellow.

$20,000 Clinton City, Passaic County, Water Refunding 4½'s, dated October 1, 1935, maturing October 1, 1952. Opinion of Reed, Hoyt and Washburn.

$20,000 Clifton City, Passaic County, General Refunding 4½'s, dated October 1, 1935, maturing $10,000 on October 1, 1950 and 1951. Opinion of Reed, Hoyt and Washburn.

$15,000 Clifton City, Passaic County, Serial Funding 4½'s, dated October 1, 1935, maturing October 1, 1951. Opinion of Reed, Hoyt and Washburn.

Block No. 20—$15,000

$8,000 Collingswood Borough, Camden County, School District, Series A, 4¾'s, dated September 1, 1922, maturing $1,500 on September 1st each year 1946 to 1949, inclusive, and $1,000 on September 1, 1950 and 1951. Opinion of Hawkins, Delafield and Longfellow.

$4,000 Collingswood Borough, Camden County, General Improvement 6's, dated July 1, 1932, maturing July 1, 1946. Opinion of Caldwell and Raymond.

$3,000 Collingswood Borough, Camden County, Water 6's, dated July 1, 1932, maturing July 1, 1946. Opinion of Caldwell and Raymond.

Block No. 21—$123,000

$48,000 Cranford Township, Union County, School, Series A, 4½'s, maturing $8,000 on December 31st each year 1946 to 1951, inclusive. Opinion of Hawkins, Delafield and Longfellow.

$60,000 Cranford Township, Union County, School, Series B, 4½'s, maturing $10,000 on December 31st each year 1946 to 1951, inclusive. Opinion of Hawkins, Delafield and Longfellow.

$15,000 Cranford Township, Union County, Improvement, Series 2, 5's, dated October 1, 1929, maturing $5,000 on October 1st each year 1948 to 1950, inclusive. Opinion of Hawkins, Delafield and Longfellow.

Block No. 22—$24,000

$24,000 Denville Township, Morris County, School 4¾'s, dated July 1, 1929, maturing $6,000 on July 1st each year 1946 to 1949, inclusive. Opinion of Hawkins, Delafield and Longfellow.

Block No. 23—$209,000

$209,000 Ewing Township, Mercer County, School Refunding 4's, dated November 1, 1935, maturing $20,000 on November 1st each year 1946 to 1948, inclusive; $22,000 on November 1st each year 1949 to 1953, inclusive; $20,000 on November 1, 1954, and $19,000 on November 1, 1955. Opinion of Hawkins, Delafield and Longfellow.

Block No. 24—$104,000

$50,000 Garwood Borough, Union County, School, Series C, 4¾'s, dated January 1, 1926, maturing $5,000 on January 1st each year 1946 to 1955, inclusive. Opinion of Hawkins, Delafield and Longfellow.

$9,000 Garwood Borough, Union County, Trunk Sewer 4's, dated August 1, 1935, maturing $1,000 on August 1, 1946, and $2,000 on August 1st each year 1947 to 1950, inclusive. Opinion of Hawkins, Delafield and Longfellow.

$45,000 Garwood Borough, Union County, Refunding 4's, dated December 1, 1935, maturing $15,000 on December 1, 1946, and $10,000 on December 1st each year 1947 to 1949, inclusive. Opinion of Hawkins, Delafield and Longfellow.

Block No. 25—$72,000

$37,000 Hackensack City, Bergen County, Sewer, Series 2, 4½'s, dated January 1, 1923, maturing $11,000 on January 1, 1952, and $13,000 on January 1, 1953 and 1954. Opinion of Reed, Dougherty and Hoyt.

$35,000 Hackensack City, Bergen County, Sewer 3's, dated September 1, 1936, maturing $5,000 on September 1, 1950, and $15,000 on September 1, 1951 and 1952. Opinion of Reed, Hoyt and Washburn.

Block No. 26—$140,000

$48,000 Haledon Borough, Passaic County, School 4¾'s, dated August 1, 1931, maturing $8,000 on August 1st each year 1946 to 1951, inclusive. Opinion of Hawkins, Delafield and Longfellow.

$67,000 Haledon Borough, Passaic County, Capital Improvement Refunding 4¾'s, dated April 1, 1935, maturing $18,000 on April 1st each each 1946 to 1948, inclusive, and $13,000 on April 1, 1949. Opinion of Caldwell and Raymond.

$25,000 Haledon Borough, Passaic County, Refunding 4½'s, dated September 15, 1934, maturing $5,000 on September 15, 1951; $15,000 on September 15, 1952, and $5,000 on September 15, 1953. Opinion of Caldwell and Raymond.

Block No. 27—$23,000

$23,000 Hamilton Township, Mercer County, General Refunding 4½'s, dated December 1, 1934, maturing December 1, 1954. Opinion of Hawkins, Delafield and Longfellow.

Block No. 28—$25,000

$5,000 Highland Park Borough, Middlesex County, School 4¾'s, dated August 1, 1924, maturing $1,000 on August 1st each year 1951 to 1955, inclusive. Opinion of Hawkins, Delafield and Longfellow.

$20,000 Highland Park Borough, Middlesex County, Water 5's, dated December 20, 1926, maturing $5,000 on December 20th each year 1951 to 1954, inclusive. Opinion of Caldwell and Raymond.

Block No. 29—$178,000

$45,000 Hillside Township, Union County, Serial Funding 4½'s, dated October 1, 1935, maturing $10,000 on October 1st each year 1948 to 1951, inclusive, and $5,000 on October 1, 1952. Opinion of Hawkins, Delafield and Longfellow.

$88,000 Hillside Township, Union County, Refunding 4¼'s, dated December 1, 1936, maturing $6,000 on December 1, 1947 and 1948; $5,000 on December 1, 1949 and 1952; $10,000 on December 1, 1953; $30,000 on December 1, 1954, and $26,000 on December 1, 1955. Opinion of Hawkins, Delafield and Longfellow.

$15,000 Hillside Township, Union County, Refunding 4½'s, dated October 1, 1935, maturing $5,000 on October 1st each year 1948 to 1950, inclusive. Opinion of Hawkins, Delafield and Longfellow.

$30,000 Hillside Township, Union County, School 5's, dated January 1, 1931, maturing $5,000 on January 1st each year 1950 to 1955, inclusive. Opinion of Caldwell and Raymond.

Block No. 30—$35,000

$5,000 Kearny Town, Hudson County, School 4¾'s, dated June 1, 1922, maturing on June 1, 1951. Opinion of Hawkins, Delafield and Longfellow.

$5,000 Kearny Town, Hudson County, Street and Sewer 4½'s, dated June 1, 1927, maturing on June 1, 1951. Opinion of Hawkins, Delafield and Longfellow.

$15,000 Kearny Town, Hudson County, School 4½'s, dated July 1, 1931, maturing July 1, 1953. Opinion of Hawkins, Delafield and Longfellow.

$10,000 Kearny Town, Hudson County, Water Supply 6's, dated August 1, 1932, maturing August 1, 1953. Opinion of Hawkins, Delafield and Longfellow.

Block No. 31—$25,000

$20,000 Leonia Borough, Bergen County, Improvement 6's, dated May 1, 1934, maturing $10,000 on May 1, 1954 and 1955. Opinion of Hawkins, Delafield and Longfellow.

$5,000 Leonia Borough, Bergen County, Park 6's, dated September 1, 1921, maturing $1,000 on September 1, 1955; $3,000 on September 1, 1956, and $1,000 on September 1, 1957. Opinion of Hawkins, Delafield and Longfellow.

Block No. 32—$31,000

$4,000 Linden Township, Union County, School 4½'s, dated October 1, 1924, maturing October 1, 1954. Opinion of Hawkins, Delafield and Longfellow.

$5,000 Linden Township, Union County, Park 4¾'s, dated March 1, 1924, maturing $1,000 on March 1st each year 1951 to 1955, inclusive. Opinion of Reed, Dougherty and Hoyt.

$17,000 Linden City, Union County, School 4¾'s, dated August 1, 1928, maturing $6,000 on August 1, 1951 and 1952, and $5,000 on August 1, 1953. Opinion of Reed, Hoyt, Washburn and Clay.

$5,000 Linden Township, Union County, Public Improvement 4¾'s, dated August 1, 1923, maturing $1,000 on August 1st each year 1951 to 1955, inclusive. Opinion of Reed, Dougherty and Hoyt.

Block No. 33—$32,000

$32,000 Little Ferry Borough, Bergen County, Refunding 3½'s, dated December 1, 1940, maturing $17,000 on December 1, 1951; $10,000 on December 1, 1953, and $5,000 on December 1, 1954. Opinion of Hawkins, Delafield and Longfellow.

Block No. 34—$89,000

$60,000 Livingston Township, Essex County, School 5's, dated February 14, 1930, maturing $6,000 on February 14th each year 1946 to 1955, inclusive. Opinion of Hawkins, Delafield and Longfellow.

$4,000 Livingston Township, Essex County, Firehouse 4½'s, dated July 1, 1930, maturing $1,000 on July 1st each year 1950 to 1953, inclusive. Opinion of Hawkins, Delafield and Longfellow.

$10,000 Livingston Township, Essex County, Serial Funding 4½'s, dated July 1, 1935, maturing on March 1, 1949. Interest payable March and September 1st each year. Opinion of Hawkins, Delafield and Longfellow.

$15,000 Livingston Township, Essex County, General Funding 4½'s, dated July 1, 1935, maturing March 1, 1949. Interest payable March and September 1st each year. Opinion of Hawkins, Delafield and Longfellow.

Block No. 35—$57,000

$57,000 Lyndhurst Township, Bergen County, School Refunding 4½'s, dated September 1, 1941, maturing $12,000 on September 1, 1946; $10,000 on September 1, 1947 and 1948; $5,000 on September 1, 1949, and $10,000 on September 1, 1950 and 1951. Opinion of Hawkins, Delafield and Longfellow.

Block No. 36—$21,000

$21,000 Maywood Borough, Bergen County, Local Improvement Refunding 4½'s, dated June 15, 1935, maturing $6,000 on June 15th each year 1951 to 1953, inclusive, and $3,000 on June 15, 1954. Opinion of Reed, Hoyt and Washburn.

Block No. 37—$40,000

$40,000 Millville City, Cumberland County, Improvement, Series A, 5's, dated July 1, 1930, maturing $6,000 on July 1, 1946 and 1947, and $7,000 on July 1st each year 1948 to 1951, inclusive. Opinion of Hawkins, Delafield and Longfellow.

Block No. 38—$342,000

$50,000 Newark City, Essex County, Port Newark Improvement 4½'s, dated March 1, 1930, maturing $10,000 on March 1, 1947, and $40,000 on March 1, 1952. Opinion of Reed, Hoyt and Washburn.

$10,000 Newark City, Essex County, School 4½'s, dated March 1, 1930, maturing $5,000 on March 1, 1946 and 1952. Opinion of Reed, Hoyt and Washburn.

$83,000 Newark City, Essex County, Port Newark Improvement 4¼'s, dated December 15, 1927, maturing $38,000 on December 15, 1949, and

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$45,000 on December 15, 1950. Opinion of Reed, Dougherty, Hoyt and Washburn.

$100,000 Newark City, Essex County, Street Opening, Series A, 5¼'s, dated August 1, 1934, maturing $40,000 on August 1, 1950, and $60,000 on August 1, 1953. Opinion of Reed, Hoyt and Washburn.

$24,000 Newark City, Essex County, Passaic Valley Sewer 4½'s, dated October 1, 1923, maturing $20,000 on October 1, 1950, and $4,000 on October 1, 1951. Opinion of Reed, Dougherty and Hoyt.

$50,000 Newark City, Essex County, Serial Funding 3¾'s, dated February 1, 1935, maturing $20,000 on February 1, 1947; $10,000 on February 1, 1949, and $20,000 on February 1, 1950. Opinion of Reed, Hoyt and Washburn.

$25,000 Newark City, Essex County, Port Newark Improvement 4½'s, dated April 15, 1922, maturing April 15, 1948. Opinion of Reed, Dougherty and Hoyt.

Block No. 39—$50,000

$50,000 Oaklyn Borough, Camden County, School Refunding 2½'s, dated August 1, 1940, maturing $1,000 on August 1, 1947; $3,000 on August 1, 1948; $8,000 on August 1, 1949; $4,000 on August 1, 1950; $8,000 on August 1, 1951 and 1952, and $9,000 on August 1, 1953 and 1954. Opinion of Caldwell and Raymond.

Block No. 40—$120,000

$120,000 Orange City, Essex County, General Funding, Series B, 2¾'s, dated February 1, 1939, maturing $20,000 on February 1st each year 1950 to 1955, inclusive. Opinion of Reed, Hoyt and Washburn.

Block No. 41—$78,000

$59,000 Palisades Park Borough, Bergen County, Refunding 3's, dated December 1, 1940, maturing $11,000 on December 1, 1948; $10,000 on December 1, 1949; $20,000 on December 1, 1950, and $18,000 on December 1, 1951. Opinion of Hawkins, Delafield and Longfellow.

$19,000 Palisades Park Borough, Bergen County, Refunding 4's, dated May 1, 1937, maturing $12,000 on May 1, 1946, and $7,000 on May 1, 1947. Opinion of Hawkins, Delafield and Longfellow.

Block No. 42—$28,000

$28,000 Parsippany-Troy Hills Township, Morris County, Water, Series B, 4¼'s, dated November 15, 1937, maturing $4,000 on November 15th each year 1946 to 1952, inclusive. Opinion of Reed, Hoyt and Washburn.

Block No. 43—$77,000

$7,000 Passaic City, Passaic County, Serial Funding 4¼'s, dated December 1, 1934, maturing December 1, 1951. Opinion of Hawkins, Delafield and Longfellow.

$20,000 Passaic City, Passaic County, Serial Funding 4's, dated October 1, 1935, maturing $15,000 on October 1, 1949, and $5,000 on October 1, 1950. Opinion of Hawkins, Delafield and Longfellow.

$50,000 Passaic City, Passaic County, General Improvement 5½'s, dated December 1, 1921, maturing $5,000 on December 1st each year 1946 to 1955, inclusive. Opinion of Hawkins, Delafield and Longfellow.

Block No. 44—$48,000

$10,000 Paterson City, Passaic County, School 6's, dated May 1, 1932, maturing $5,000 on May 1, 1952 and 1954. Opinion of Hawkins, Delafield and Longfellow.

$38,000 Paterson City, Passaic County, General Improvement 4½'s, dated June 1, 1929, maturing $25,000 on June 1, 1949, and $13,000 on June 1, 1952. Opinion of Hawkins, Delafield and Longfellow.

Block No. 45—$105,000

$56,000 Pitman Borough, Gloucester County, School 4½'s, dated June 30, 1925, maturing $8,000 on July 1st each year 1946 to 1952, inclusive. Opinion of Hawkins, Delafield and Longfellow.

$49,000 Pitman Borough, Gloucester County, School 4½'s, dated December 15, 1922, maturing $7,000 on December 15th each year 1946 to 1952, inclusive. Opinion of Hawkins, Delafield and Longfellow.

Block No. 46—$116,000

$116,000 Ridgefield Borough, Bergen County, Local Improvement Refunding 4's, dated March 1, 1936, maturing $4,000 on March 1, 1948, and $28,000 on March 1st each year 1949 to 1952, inclusive. Opinion of Reed, Hoyt and Washburn.

Block No. 47—$15,000

$5,000 Ridgewood Village, Bergen County, Water 4½'s, dated May 1, 1931, maturing May 1, 1951. Opinion of Hawkins, Delafield and Longfellow.

$10,000 Ridgewood Village, Bergen County, Improvement 4¼'s, dated May 1, 1931, maturing May 1, 1951. Opinion of Hawkins, Delafield and Longfellow.

Block No. 48—$30,000

$30,000 Roselle Borough, Union County, General Refunding 4¾'s, dated March 1, 1935, maturing December 1, 1950. Interest payable June and December 1st each year. Opinion of Reed, Hoyt and Washburn.

Block No. 49—$36,000

$36,000 Scotch Plains Township, Union County, School 4¾'s, dated March 1, 1926, maturing $6,000 on March 1st each year 1946 to 1951, inclusive. Opinion of Hawkins, Delafield and Longfellow.

Block No. 50—$27,000

$27,000 Somerville Borough, Somerset County, School 4½'s, dated January 1, 1923, maturing $9,000 on January 1, 1951 to 1953, inclusive. Opinion of Hawkins, Delafield and Longfellow.

Block No. 51—$30,000

$8,000 Summit City, Union County, School 4¼'s, dated December 1, 1930, maturing December 1, 1950. Opinion of Hawkins, Delafield and Longfellow.

$12,000 Summit City, Union County, Improvement 4¼'s, dated December 1, 1930, maturing December 1, 1950. Opinion of Hawkins, Delafield and Longfellow.

$5,000 Summit City, Union County, General Improvement 5¼'s, dated July 1, 1933, maturing July 1, 1954. Opinion of Hawkins, Delafield and Longfellow.

$5,000 Summit City, Union County, School 4½'s, dated February 1, 1922, maturing February 1, 1953. Opinion of Reed, Dougherty and Hoyt.

Block No. 52—$10,000

$10,000 Tenafly Borough, Bergen County, Public Improvement 4¾'s, dated February 1, 1930, maturing February 1, 1947. Opinion of Caldwell and Raymond.

Block No. 53—$127,000

$127,000 Union City, Hudson County, General Funding 4¾'s, dated March 1, 1935, maturing $17,000 on March 1, 1950; $20,000 on March 1, 1951, and $45,000 on March 1, 1952 and 1953. Opinion of Hawkins, Delafield and Longfellow.

Block No. 54—$24,000

$10,000 West Orange, Essex County, School 4½'s, dated October 1, 1930, maturing $2,000 on October 1st each year 1951 to 1955, inclusive. Opinion of Hawkins, Delafield and Longfellow.

$12,000 West Orange, Essex County, School, Series A, 4½'s, dated August 1, 1922, maturing August 1, 1951. Opinion of Hawkins, Delafield and Longfellow.

$2,000 West Orange, Essex County, School, Series B, 4½'s, dated August 1, 1922, maturing August 1, 1951. Opinion of Hawkins, Delafield and Longfellow.

Block No. 55—$230,000

$230,000 Weehawken Township, Hudson County, General Refunding 4's, dated October 1, 1935, maturing $50,000 on October 1st each year 1949 to 1952, inclusive, and $30,000 on October 1, 1953. Opinion of Reed, Hoyt and Washburn.

Block No. 56—$20,000

$2,000 Westfield Town, Union County, School 4½'s, dated December 1, 1924, maturing $1,000 December 1, 1951 and 1952. Opinion of Reed, Dougherty and Hoyt.

$18,000 Westfield Town, Union County, School 4¼'s, dated December 1, 1931, maturing $9,000 on December 1, 1951 and 1952. Opinion of Reed, Hoyt, Washburn and Clay.

Each proposal should state the amount in dollars and cents bid for each block of bonds—accrued interest to the date of purchase to be added.

No down payment will be required with the bid.

Proposals should be addressed to the Teachers' Pension and Annuity Fund, State of New Jersey, and enclosed in a sealed envelope marked on the outside "PROPOSAL FOR BONDS."

Each block of bonds will be awarded on the day the bids are received to the bidder offering the largest price and accrued interest to the date of payment, but the Board of Trustees reserves the right to reject any or all bids.

Each purchaser will be asked to take delivery of the bonds awarded to him and to make payment for them at a date to be mutually agreed upon between the buyer and the seller within a week from the date of the award.

By Order of the
Board of Trustees,
October 4, 1945.

JOHN A. WOOD, 3d,
Secretary.

Municipal News & Notes

Although the Victory Loan starting on Oct. 29 will probably result in an enforced quietus of operations in the investment banking field generally for the duration of the drive, a number of substantial operations in the municipal field are scheduled to develop in advance of the Treasury financing.

Starting on Monday, Oct. 22, for example, three rather large items are scheduled to materialize, the largest being the Brooklyn, Ohio, offering of $1,110,000 refundings. This consists of two series, $600,000 series A bonds, due semi-annually from 1946 to 1966, incl., and optional in 1956, and $510,000 series B, having a maturity date of 1966, although redeemable starting Jan. 1, 1948.

On the same date bids will be opened by officials of Bonneville County Independent School District, Class A No. 1, Idaho, on an issue of $510,000 bonds, with a 1946-1965 maturity range. Tenders will likewise be considered for the Cedar Rapids Independent School District, Iowa, item of $750,000 building obligations, to mature from 1946 to 1960, incl.

Tuesday, Oct. 23, should prove prove one of the most active days in the tax-exempt mart in quite a while, with the Chicago Park District, Ill., deal alone amounting to $28,475,000. The bonds will mature on Dec. 1, 1965, although subject to advance redemption in stipulated amounts annually starting in 1948. Proceeds of the financing, along with cash on hand, will be employed by the district in the redemption of $37,250,000 of outstanding bonds which are optional in 1946.

Aside from the Park District undertaking, there is the equally substantial transaction to be concluded by the New Jersey State Teachers' Pension and Annuity Fund. As in the case of previous offerings, the Fund is asking for bids on various blocks of its holdings of high grade registered New Jersey county, municipal and school bonds. The maturity range on the various obligations is from 1946 to 1957, incl., and the 56 blocks included in the offering add up to an aggregate principal amount of $4,330,000.

Next Tuesday also is the day on which bids will be taken by Ashe County, N. C., on $1,094,000 refundings, which are to mature serially from 1947 to 1977, incl. In addition, there is the Thief River Falls, Minn., offering of $250,000 water works bonds, to mature from 1948 to 1957, incl. On Thursday, Oct. 25, Frankfort, Ind., will act on bids submitted on an issue of $400,000 electric utility revenue bonds, due semi-annually from 1947 to 1966, incl., although subject to earlier redemption at the city's option.

In the week beginning Monday, Oct. 29, offerings now in prospect include the Guarantee Mutual Life Co., Nebraska, offering of $1,995,000 various Florida municipals; $500,000 by Gibson County, Tenn., and $3,000,000 by Cincinnati, Ohio, this latter issue to be sold on the 30th.

Although no official word had been received at this writing, it is expected that the Chicago Board of Education will appear in the market late this month or in the first part of November with an offering of $2,750,000 refunding bonds. Proceeds of the issue, along with funds presently available, will be used to redeem $5,500,000 3½% refunding bonds optional Jan. 1, 1946.

The State of California anticipates the offering sometime in December of $15,000,000 veterans' aid bonds, representing half of an issue authorized by the voters for that purpose.

Past and Probable Population Trends

The importance of the population factor in the study of municipal finance data necessarily takes on added significance in light of the extensive migration prompted by wartime conditions. It is true, of course, that numerical size alone is far from being indicative of the debt-paying capacity of any community. Actually, density of population can in some cases constitute a financial hazard, particularly in times of general economic upheaval, with the accompanying heavy demands on local budgets for welfare and relief expenditures.

Admitting its imperfections, however, it is nevertheless true that the population factor can, and does, enjoy an important position among the various guides employed in ascertaining the investment qualities of local public bonds. Recent history, it may be here pointed out, is studded with examples of communities whose economic status deteriorated in direct proportion to declining populations.

In any event, it would appear that population trends, actual and prospective, should command greater emphasis in the calculations of dealers and investors in State and municipal bonds than was true in the past. A considerable number of reasons could be cited in support of this conclusion. On the one hand, for example, mention may be made of its influence as regards the eligibility of local government bonds, assuming other qualifications are also present, as legal investments for savings banks, etc., in the various States.

Then, too, there is the growing trend toward the issuance of revenue bonds, payment of which is entirely dependent on revenues collected from users of the particular facility for which the debt was created.

In light of these considerations, it is clear that the subject should be of more than academic interest and particularly so in light of the conclusions contained in a study by Dr. Vergel J. Reed, Associate Director of Research of J. Walter Thompson Co. Writing under the title "Population and Purchasing Power Trends," (see "Chronicle" of Oct. 11, page 1702), presented some views which, we believe, merit repeating in this column.

Specifically, we refer to Dr. Reed's analysis of the vast shifts of civilian population in the war years 1940-1943, and the significance of such migration as regards the likelihood of specific areas to hold and extend their gains, or to retain their previous status. On this subject, we quote from Dr. Reed's paper as follows:

The significance of all this is:

1. The West and Southeast will continue to gain, largely at the expense of the North and Northeast.

2. As examples of regions most apt to retain their war-time growth and to continue to grow, the following metropolitan counties (roughly cities of 50,000 or over and the county in which located) appear outstanding:

Corpus Christi, Tex.
Dallas, Tex.
Jackson, Miss.
Jacksonville, Fla.
San Antonio, Tex.
San Diego, Calif.
Detroit, Mich.
Los Angeles, Calif.
New Orleans, La.
Charleston, S. C.
Columbia, S. C.
Columbus, Ga.
Mobile, Ala.
Galveston, Tex.
Atlanta, Ga.
San Francisco, Calif.

3. Metropolitan counties losing population during the war and having little prospects of regaining their losses, include the following:

Albany-Schenectady-Troy, N.Y.
Altoona, Pa.
Boston, Mass.
Duluth-Superior, Minn.
Fall River-New Bedford, Mass.
Scranton-Wilkes-Barre, Pa.
Lancaster, Pa.
Lincoln, Neb.
Manchester, N. H.
Pittsburgh, Pa.
Reading, Pa.
Rochester, N. Y.
Springfield, Ill.
Toledo, Ohio
Wheeling, W. Va.
Worcester, Mass.

Note that those with the best prospects are, with the exception of Detroit, in the West and South; those with the poorest prospects, in the North.

4. The prospects for certain other areas which may have special interest to you, appear to be as follows:

New York - Northeastern New Jersey area has lost population (about 820,000) during the war, with fair prospects of "coming back."

Baltimore grew at above average rates during the war and has a good chance of retaining its growth.

Cleveland grew at above average rates between 1920 and 1930, but did not fare so well during the '30's, and grew little during the war. Its future is hard to predict.

Indianapolis grew at above average rate during the depression years, as well as during the war. It has good prospects of retaining its growth.

Chicago has only fair prospects of retaining even its wartime population. Its metropolitan counties (Cook, DuPage, Lake County, Illinois, and Lake County, Indiana) showed a decrease of 1.4% between 1940 and 1943.

St. Louis showed a slight increase during the war, but has only fair prospects of retaining the increase.

Minneapolis-St. Paul area has lost slightly during the war, but has fair prospects of "coming back."

The Present Level of Stock Prices

(Continued from page 1818)

bargain opportunities from the market, and the disproportionately great advance in stocks of poorer grade since 1941.

4. The prospect of a considerably higher tax burden than prewar.

5. Current and prospective labor troubles.

6. Political uncertainties—both domestic and international.

It may seem strange that the sudden end of the war, with the precipitate termination of war business and the resultant problems of reconversion, are not listed among the unfavorable factors. But it is reasonably clear that the physical tasks of reconversion are proving much less protracted than was feared, that financial losses due to contract cancellations will not be serious, and that peace is in itself no real threat to corporate earning power. In present market discussions the once-feared problems of reconversion appear to be concentrated in the area of labor policy—an aspect which until recently had received little anticipatory notice. This point illustrates aptly our general thesis that economic events rarely unfold in the way stock-market people forecast them.

By the simple listing of arguments pro and con, given above, we achieve no more than the obvious demonstration that there is much to be said on both sides of the market. However, these factors are by no means of equal weight, and they apply to different areas of stock-market evaluation. Some of them relate to (a) the general pattern of market behavior, others to (b) the fundamental method or formula for appraising common stocks, and others to (c) the field of future expectations. We shall group the favorable and unfavorable arguments together as they belong under each of these successive headings. As will be seen, our conclusions will vary somewhat as we pass from one approach to the next.

In identifying the past and present levels of stock prices we shall concentrate on the Dow-Jones Industrial Average. While this is not necessarily the best index of the movement of the stock market, it is sufficiently representative for the purposes of this study. In addition, it has the important advantage of permitting us to relate directly the earnings and dividends of the Dow-Jones unit over a period of years to its price fluctuations. The record for the 30 years 1915-1944 is set forth in the attached table, along with certain economic data of major consequence. (The Dow-Jones Average now represents substantially the sum of 1/15 of a share of each of 30 leading companies. Hence, it is equivalent to about two shares of the average issue included.)

A. The Stock Market Pattern

A simple and powerful argument against the present level of stock prices is presented by the stock market's own history. The Dow-Jones Average has sold above 185 at only two periods in its 50-year record—the first in 1927-1931 and the second in 1937. In the latter case the 185 level proved close to the top (194), following which the average declined about 50% in 12 months. In the great bull market of the 1920s the present level proved to be at the half-way mark; the average advanced to 381 in 1929, and then tumbled to the abysmal figure of 41 in the next three years.

If the market's present position resembles that of either 1927 or 1936 it should clearly be avoided by both investors and speculators. The significance of the 1937 analogy is obvious, but it should be realized also that most of those who remained in the market after it reached 185 in 1927 were destined to regret their policy. For although they **could** have doubled their capital and then gotten out at the peak, the very psychology that kept them in the market at 185 was almost certain to prevent them from escaping in time.

A subsidiary argument of considerable weight against the present market is the absence of any wide corrective reaction (say, more than 15%) since the turn of the tide in April, 1942. This, we believe, is without precedent in the history of stocks—except that **after** a 20% set-back in early 1926, the market then advanced fairly steadily for 3½ years until it met its doom. In one sense this carries a two-edged argument, since technicians may claim that the bull market should have at least one respectable recession, with a subsequent advance to a still higher level, before its major trend is reversed. Whether or not this reasoning is persuasive, there would seem to be real danger of at least a good-sized technical setback in the market at some time in the next few months.

It is natural to refer to the market's action after World War I, but this may not be particularly relevant or useful. After moving irregularly in the last year of the conflict, and hesitating after the Armistice, the market entered upon a one-year advance which carried the average from 80 in November, 1918, to 120 in November, 1919. This rise accompanied a speculative boom in commodities and inventories, which culminated in a market collapse and a deep depression. The level of stock prices was much lower throughout those years than at present, although the actual earnings on the Dow-Jones unit were considerably higher in World War I than in the last war.

Of somewhat different import than the preceding argument is the fact that bargain issues have practically disappeared from the stock market. If we define "bargain issues" for our purpose as those selling for substantially less than their net working capital, we find that present situations of this type are substantially limited to a few aircraft manufacturing and machine tool companies—in addition to the investment trust and insurance company shares which have regularly sold at substantial discounts. Experience shows that when really cheap issues are scarce the general market is high; but, of course, we do not present this as an infallible principle.

A similarly unfavorable indication is provided by the very great percentage advance in low-priced stocks since 1941; also by the large number of new stock offerings at nominally low but intrinsically unattractive prices. (This might be referred to facetiously as "the current high price of low-priced stocks.") Secondary stocks in general have increased both their earnings and market price in recent years a good deal more than have the leading issues comprised in the Dow-Jones Average. These advantages are related to the absence of competition under war conditions, and they may well prove temporary.

The inflation argument really belongs as the direct counterpoise to the bearish implications of stock market history. If the dollar is to lose a good part of its buying power, then it may properly be claimed that future stock prices need not be governed by their historical upper limits which were expressed in better dollars. (Obviously, for example, the level of French stocks at a 4¢ franc in 1926 was much higher than it was under the 19¢ franc in 1914.) Even though stocks may not advance as much as the dollar value falls, it would still be true that inflation will break the logical or historical link between past and future market levels.

Inflation may be called a fact to the extent of the 40% advance in the index of wholesale prices between August, 1939, and the present. What will happen to wholesale prices from now on is, of course, a matter of opinion. The writer would reiterate the view, expressed in these columns in December, 1943 [Dec. 2, 1943, p. 1] that the odds are against large-scale inflation growing out of lack of faith in the dollar. At that time it was our view that, even though inflation was not probable, the prudent investor should guard against it in part by owning common stocks in addition to Government bonds. This advice was grounded on the conviction that stock prices (the Dow-Jones Average being at 129) were not intrinsically too high without regard to inflation; hence the investor would not be paying anything except through some mental wear-and-tear, for the recommended insurance. Now that the market is about 50% higher this argument of "cost-free insurance against inflation" can hardly apply.

Allied to the general pattern of market movements is the general pattern of speculative thinking. We are impressed by the fact that the speculative attitude appears to have changed greatly in the past three years, while the underlying facts and expectations are not much different than could have been forecast at the end of 1942. In its broad outlines, the war went about as anticipated; its effects on the position of corporations and on the public's holdings of cash have also proved in line with projections. Experience indicates that when the market shows belated and rather spectacular recognition of conditions that have been in the wood for a long time, there is added reason for caution.

Consequently, taking all the market-pattern arguments together we should conclude that their net weight is unfavorable to the stock market, and would justify a selling policy. But this is only one facet of the question.

B. The Valuation of the Industrial Average by Formula

It is by no means customary for investors to decide whether stocks are high or low by first making an independent appraisal of the issues and then comparing the valuations found with the market price. The writer, however, uses this method as one of the tools of his trade—and he finds considerable support for this practice in the widening extent to which such appraisals are being relied upon, in estate and gift tax cases, in corporate reorganization and recapitalization proceedings, in merger negotiations, etc.

The general theory of appraisal can be quickly summarized. It consists of estimating future earning power, capitalizing this at an appropriate rate, and making generally minor adjustments for asset values or special conditions. Contrary to first impression, this method is perhaps better applicable to a group of stocks—such as the Dow-Jones Average—than it is to individual issues, even though we are unable to make the selective distinctions as to future prospects which are so much stressed in stock market policy. The fact is that we are on safer ground in forecasting broad developments, and allowing individual variations to cancel out, than in attempting to differentiate between more or less favorably situated issues.

Although, in theory, it is only expected **future** earnings that are to be capitalized, in practice there is a strong tendency to accept past average earnings as the best guide to the future. This permits application of a definite formula. If we studied the record of the Dow-Jones Average since 1915, we would be somewhat surprised to note that the earnings have an obstinate tendency to fluctuate around $10 per unit. This is brought out clearly when we select the years in which general business conditions were about "normal" as measured by the Cleveland Trust Co. — Leonard Ayres Index. (These are 1915, 1924 and 1940. See our table.) What has changed definitely over the years is not the earning power of the industrial group, but rather the rate at which this earning power has been capitalized.

This brings us to the most important bullish element which rests on established fact—namely, the reduction in the long-term interest rate. Between 1924 and 1943, this has fallen from about 5% to 2½% on first-grade industrial bonds. It may be argued that if earnings of $10 on high-grade industrials were worth about $100 in 1924, they should now be worth about $200—thus giving formal justification to the present market levels.

However, as the multiplier advances, we would be inclined to pay a fair amount of attention to asset values, especially since low interest rates tend ultimately to depress the percentage earned on invested capital. Our own formula would give 25% weight to asset value. On this basis, the "average earning power" of $10, the multiplier of 20, and the asset value of about $110 per unit, combine to yield an appraisal value of $178 for the Dow-Jones Industrials.

Needless to say, these appraisal methods are not as precise in their dependability as they are in their mechanics. We would consider that the net import of our appraisal is rather neutral. It suggests that the Dow-Jones Average is not necessarily high, in terms of intrinsic value factors, but also that it is obviously not on the low side. We should not ignore the fact, however, that in bull markets stocks tend to sell considerably above their normal or appraisal value. For this reason a neutral verdict on present prices, from the appraiser's standpoint, might logically be construed as rather encouraging to the speculator, though not truly so to the investor.

C. Prospective Developments Affecting Stock Values

In giving this section about one-third of our over-all attention, we are probably showing a bias against the common practice of attaching decisive importance to future expectations, as regards 4—The present level of stock — both the general market and individual stocks. If we really knew what the future will bring that is all we would have to know; but since stock market people can only guess the future and since they have the embarrassing habit of guessing wrongly, it seems best not to lay too much stress upon forecasts.

Optimism as to future earnings rests on the expectation both of a shorter-term restocking, or "catching up," boom and a longer-term expansion in national income to levels far above prewar figures. It seems practically certain that we have a period of very good business ahead of us, after reconversion is fairly well completed and manufacturers can meet the enormous pent-up demand for durable goods. It is doubtful if total volume will be as large as it was during the war; but with substantially lower tax rates, the earnings on the Dow-Jones Average might easily reach $16 or more.

If this prospect materializes, it may seem to afford justification of a considerably higher price than 185 for the average. As against this rather obvious conclusion, we raise the question whether the market may not take as cautious a view of the restocking boom as it did of war earnings. Both are essentially temporary in their nature, and the market might surprise us by looking, say, two years ahead, to the end of the restocking boom, just as it persisted in looking ahead to the end of the war.

If we could assume that we are now entering a **permanent** full-employment economy, we could assume also that we shall have a permanently high level of business and presumably a permanently higher level of stock prices. To us, this appears to be a dangerous assumption on which to base market policy. Upon analysis, we find only two substantial facts which support the hope of a "permanent boom." These are, first, the huge increase in the public's holdings of cash assets, and, second, the great psychological emphasis now placed on the necessity for sustained full employment. We may hope that this new faith will move away the peaks and valleys of the business cycle, but we cannot avoid some unwilling skepticism on this point.

It would be one of the many paradoxes of modern economics if we did experience a permanently higher level of business activity stemming primarily from the public's increased cash assets. For this cash is only monetized government debt, and it represents at bottom an enforced resort to traditional but unsound methods of financing the war. According to the copy-book maxims, this enormous debt should bring us grief and not prosperity. Yet in our strange world, where the primary problem appears to be how to sell goods rather than how to produce them, this new "fiat wealth" of the country may actually contribute significantly to higher levels of business activity.

Peering into the crystal ball, we should be inclined to forecast average national income and corporate profits well above the prewar figure. This may well be found to justify an **average** price of stocks even higher than the present apparently dangerous levels. But this is only a guess, and it does not carry any implication that we shall be able to avoid sharp fluctuations of business activity and sharp declines in the stock market.

The three factors listed and not yet touched upon—relating to taxes, labor problems, and working capital—are subsidiary to the general viewpoint just expressed. Lower taxes in themselves would not justify higher stock prices than before the war, for a 40% corporate tax is more than twice as heavy as the burden of 1939. There is much talk about cutting corporate taxes to zero or a minor figure, but this appears to us to be neither a political nor a fiscal possibility.

In a thorough-going analysis, the factors of corporate working capital and corporate tax burdens would prove to be rather unexpectedly joined. The working capital of non-financial companies has about doubled in six years, increasing from $25 to, say, $48 billions. Nearly all of this expansion is found in the holdings of U. S. Government securities. On the surface, this appears very favorable to corporations. But there is another side to which little attention has been given. Out of a total increase of nearly $250 billions in government debt, non-financial corporations have been able to add only some 10% to their assets. What is the amount of their offsetting **liability**, represented by their effective share of of the debt burden? Both at low and at high points, corporation taxes and personal income taxes have been about equal; and in the current tax-bill discussions there has been a definitely expressed intention to grant equal relief in lower taxes to both classes of taxpayer.

This suggests the disconcerting thought tnat corporations may really have to bear about a 50% share of the government debt burden. If this is so, the visible increase of $25 billion in corporate current assets is completely submerged by the invisible increase of $125 billion in their share of the nation's liabilities.

In terms of balance sheet figures this concept appears fantastic, but it is not so extraordinary to assume that corporations will pay an extra $2 billion per year in income taxes to represent their share of the government's interest charges. With a doubled national income, and a corresponding tripling in corporate profits before taxes, this added tax burden can be met with a smile. It still remains a paradox, however, that we can virtually close our eyes to the assumption by corporations of $100 billion of hidden liabilities because we are optimistic as to the future level of business activity and profits.

Labor disturbances are now receiving more attention than any other matter affecting stock values. On this point past history is reassuring. We know of no period in which strikes have exerted a pronounced and continued effect upon the market level. The prospect of wage encroachments must, however, be taken into account. Up to 1929, business was generally able to pay increased wages out of increased productivity or higher selling prices; since 1929, there appears to have been a tendency for wage and tax costs combined to cut profit margins. The chances seem to favor a rising ratio of wages to national income. Consequently it is doubtful if earnings on stocks will increase as much as the level of business activity, unless corporate income taxes should be virtually abolished. (The reader will note in our table that the Dow-Jones earnings were only a shade larger on a $78 billion national income in 1940 than they were on a $38 billion national income in 1915, and they were slightly **lower** on the $161 billion income of 1944.)

There remains the political element—both domestic and international—which is more likely to show itself in Wall Street psychology than in financial or business statistics. We shall not venture to predict what these forces will be, when they will affect stock prices, or to what extent. The market is at present complacent on these questions, but we greatly doubt that it will remain so indefinitely. Anyone with a feeling for history could hardly avoid the conviction that the next ten years are likely to be more interesting than tranquil.

This discussion of factors bearing on future earnings and values leads to very mixed conclusions, with the weight of the argument perhaps in favor of appreciably higher average earnings and dividends for stocks than in the prewar period. The danger of considerable fluctuation in business conditions and market levels has, however, by no means vanished.

Summary

The three different approaches used in judging the present level of stock prices have yielded diverse indications. From the first, or historical, approach the market appears distinctly on the high side and vulnerable to a substantial setback. Contrariwise, our second category—that of appraisal based on figures and formula—about supports the present level, and suggests that the familiar bull-market enthusiasm might well carry prices considerably higher. Our third approach, through guesses and projections as to future developments, supplies plenty of material but no definite verdict.

What is the net significance of this analysis for the speculator and the prudent stock investor? Let us define the speculator as one who seeks to profit from market movements, without primary regard to intrinsic values; the "prudent stock-investor" as one who (a) buys only at prices amply supported by underlying value, and (b) who determinedly reduces his stock holdings when the market enters the speculative phase of a sustained advance.

This speculative stage, we are convinced, is now at hand. Hence, the principles of the prudent investor will require him to lighten significantly his holdings of common stocks—the precise selling policy to depend, of course, on his individual position and methods. For the stock speculator we can say little that is helpful. We think he has a fifty-fifty chance—or perhaps a little better—of seeing the market attain substantially higher than present heights, subject to the probability of intervening reactions. But his chance of eventualy holding on to the profits he makes beyond the current level, we should term no better than in former bull markets—and that is none too good.

DOW-JONES INDUSTRIAL AVERAGE

	Earns.	Divs.	Aver. Mkt. Price	Price-Earns. Ratio	*Nat'l Income (billions)	Wholesale Price Index	F. R. B. Index of Industrial Product'n
1915	$10.59	$2.20	74	7.0	$38	70	--
1916	18.62	4.27	95	5.1	45	86	--
1917	21.90	5.63	88	4.0	53	118	--
1918	16.18	5.64	81	5.0	58	131	--
1919	13.77	4.07	100	7.2	66	139	72
1920	6.74	3.44	90	13.4	73	154	75
1921	0.00	2.96	73	--	58	98	58
1922	8.20	3.38	93	11.2	61	97	73
1923	11.38	3.94	95	8.3	71	101	88
1924	10.52	4.27	100	9.5	71	98	82
1925	13.54	4.17	135	9.9	75	104	90
1926	14.44	6.35	153	10.6	80	100	96
1927	13.18	5.54	176	13.3	79	95	95
1928	15.36	5.92	226	14.7	81	97	99
1929	19.31	7.06	311	16.1	83	95	110
1930	10.06	7.44	236	23.4	69	86	91
1931	2.68	6.73	139	--	55	73	75
1932	.31	4.09	65	--	40	65	58
1933	2.57	3.03	84	--	42	66	69
1934	4.68	3.28	98	20.9	50	75	74
1935	6.78	4.12	120	17.7	56	86	87
1936	9.98	7.07	162	16.2	65	81	103
1937	11.41	8.15	166	14.5	72	86	113
1938	6.07	4.84	132	21.8	64	79	89
1939	9.33	6.30	143	15.3	71	77	109
1940	10.88	7.05	135	12.4	78	79	125
1941	11.46	7.50	122	10.6	97	87	162
1942	9.22	6.50	107	11.6	122	99	199
1943	9.74	6.50	135	13.9	149	103	239
1944	10.07	6.40	143	14.2	161	104	235

*Source: 1915-1928 U. S. Dept. of Agriculture.
1929-1944 U. S. Dept. of Commerce.

John O. Wheeler With H. O. Peet & Co.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—John O. Wheeler has become associated with H. O. Peet & Co., 23 West 10th Street, members of the New York Stock Exchange. Mr. Wheeler has recently been serving in the U. S. Army. Prior thereto he was a partner in Kulleck, Wheeler & Co., and was with W. C. Pitfield & Co.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Continued general market strength hides negative action of traders. Sharp advances in thin stocks attract new buyers daily. But stocks can be equally thin on declines.

A two-day market holiday did little to cool the ardor of buyers rushing in to participate in what is now beginning to be called the inflationary advance. Some stocks even opened higher than their previous close. The specialist in one stock, for example, was suddenly hit with 1,800 shares of buy orders Monday morning and couldn't open the book because of insufficient selling orders. There was a meeting with the Governors, and when stock finally opened it was up a couple of points.

* * *

This kind of buying is typical of public entrance with a vengeance. It sets stocks off on mad races nobody knows the end of. It is also the kind of a market that makes for sudden and sharp advances which in turn bring out all kinds of fantastic forecasts. The dangerous part is that people actually believe all the wonderful things they hear, add to them, and pass them on as something that is "sure to happen."

* * *

Brokers' offices are busy places these days. The average customer's man doesn't have to worry about getting his accounts to trade. They are all too anxious to trade. All they want is to be told what to buy and how much they can take on. Credit balances are a thing of the past. Customers resent being told that some of their stocks should be sold to create purchasing power to take advantage of any possible break.

* * *

It is true that during most of the current advance debits haven't risen, and to that extent it might be said that the advance is not based on borrowed money. But it is equally true that the lack of debits is mainly due to the new margin rules. But whether the market was financed by borrowed money or not, it cannot stand up under liquidation once it starts, no matter how sound the credit structure. The man who is reluctant to sell today bases his reluctance on the belief that present prices will be improved. He faces the future with calmness firm in the belief that nothing can hurt him because he owns his stocks outright or close to outright.

* * *

You can be certain, however, that this same man will fall all over himself to get rid of his stocks, outright or not, if a decline sets in. Such selling wouldn't be bad if it was limited to the so-called bad stocks, viz., stocks which are in the red. But when it comes to selling, few people get rid of their dogs. They hold on to them and sell their good stocks (those with profits) on the theory that in that way they avoid taking losses. The truth is that the man who can take a loss — rapidly — will make more in the long run.

* * *

That stocks are daily becoming hard to buy is also quite obvious. Stocks like Distillers Seagrams and Eastern Air Lines are indicative of the thin markets. Incidentally, you can expect an increase of this stock-splitting gimmick which comes up every time the public has the rubber band off its bankroll. But the same scarcity of stock which brings about sharp advances brings about equally sharp declines. A stock which goes up a few points between sales can drop the same few points on selling. In fact, process is usually faster on declines.

* * *

A number of stocks are in trouble right now, despite the general market strength. American Smelters meets selling at 62; Delaware & Hudson between 44 and 46; Chrysler is in trouble from 126 to 130; Bethlehem looks like it has a few more points left in it; Dupont is right in the middle of its barriers, 90-93; General Motors has difficulty with the 75 price and U. S. Steel at 80 is right at its 1939 level. These are just a few stocks which show reaction signs. Yet if these go down it is almost a certainty that the rest of the list will do the same.

* * *

So in spite of the fact that I seem to be in the minority, I advise no more buying at these prices. Instead I suggest raising stops in the four stocks you are still long of. Here they are:

A. M. Byers, raise from 19 to 20½. Originally bought at 19 and half sold at 21. . . . Jones & Laughlin, raise stop to 39. This one was bought at 35 and half was sold at 41. Incidentally stock shows some evidence of being able to go to 45. But if it breaks the 39 level it is doubtful if it can see the higher price without going through a long resting period. . . . Paramount's stop is now raised to 37. Bought originally at 30½, half was sold at 35. . . . White Motors, raise stop to 33. This one came in at 29½ and half was sold across 35.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Cleveland Bond Club Winners at Outing

CLEVELAND, OHIO — The Bond Club of Cleveland was host to the Bond Clubs of Toledo, Cincinnati and Pittsburgh, at its fall party, held at the Country Club. In the inter-city golf competition the Cleveland Club won individual trophies donated by Harry Hosford, with Cincinnati nosing out Toledo and Pittsburgh for second place honors. Representing the Cleveland team were Joe Fogg Jr. of McDonald & Co.; Herb Covington of Harriman Ripley & Co.; Mel Cox of Curtiss, House & Co., and John Hay of Merrill, Turben & Co. Joe Fogg and George Phillips of W. D. Gradison & Co., Cincinnati, shared low gross honors, both scoring 77s. Pittsburgh money won the top prize in the $1,000 Victory bond raffle. About 130 attended the party, presided over by Paul Eakin of Hornblower & Weeks, President of the Bond Club.

Freeman Joins Staff of Harris, Upham & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Clarence P. Freeman has become associated with Harris, Upham & Co., 135 South La Salle Street. Mr. Freeman in the past was with Sutro Bros. & Co. for a number of years.

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GENEVA, SWITZERLAND

Distribution Problems of Reconversion

(Continued from page 1819)

the difficulties of war required real organizing and business ability.

We need that ability now to achieve our peacetime goal of full employment and full production. To reach that goal we have to be guided by the same fundamental principles. Whether it is in the establishment of broad policies for the common welfare, or in meeting our day by day operating problems, we must keep these prime fundamentals in mind:

First: — That **low production** means **high unemployment** in the long run—and in the immediate future it means inflation.

Second:—That **mass** production and **full** employment provide the only possible key to the bountiful future we all hope to create.

Our productive resources and skill have made us the most powerful country on earth and have given our people the greatest opportunities and freedom.

Through the fullest utilization of these skills and resources, under our democratic system of free enterprise, we intend to become even greater, and to add to our political freedoms the economic assurances of security.

I'm sure you agree with that objective. There may be differences of opinion as to "how" we should reach that goal, but there are no real differences as to "where" we want to go.

It would be pleasant to be able to tell you that what lies ahead is the businessman's utopia where the markets are booming and taxes are falling, where jobs are plentiful and profits abundant. I wish I could tell you that you have finished your job, and that now it is someone else's responsibility to keep things running smoothly.

I sincerely believe that we have it within our power, as a people and as a nation, to **build** such a future. But we have to do the construction job. It won't just happen. Between us and the attainment of that goal are some difficult roads—and some hard jobs.

Peace Problems of Distribution

During the transition period—the changeover from war to a freely operating peacetime economy—you distributors are facing problems as great and important as any you had during the war. For six years our national income—the money people have with which to buy your goods and services—has climbed, year after year. Now it is declining.

This is because the Government is stopping its expenditures for war. Before V-J Day the Government's expenditures for war amounted to 42 cents out of every dollar spent for goods and services in the United States. But by the end of this year war expenditures will be down to 20 cents out of every dollar spent and by the end of 1946 they will be down to 10 cents.

Increased Demand Forecast

As a result of cancelled war contracts and demobilization of the armed services, unemployment is increasing and the weekly pay envelopes of men and women remaining on jobs have been growing slimmer, through loss of overtime pay, reduction in average hourly earnings and through transfer from war jobs to peacetime jobs that pay less because they require less exacting skills.

That's only one side of the picture, however. In spite of these cuts in income, the backlog of consumers' needs for durable goods is tremendous. For instance, the accumulated demand for durable household goods is estimated to equal about two years' sales at the 1940 rate.

The annual increase in the number of families in the United States averages about 550,000. Invariably, when a nation is at war, its marriage rate increases. At present there are about 1,200,000 more married couples in our population than there would have been had not war occurred. A high proportion of the seven million couples who have married during the last four years have not set up housekeeping. They have not had an opportunity to purchase the furniture, the rugs, the pots and pans, refrigerators, washing machines, stoves and other household equipment they must have to establish their own homes.

Within a year after the servicemen are demobilized we can expect marriages in this country to reach an all-time peak.

There will be a continuous upswing in demand for the furnishings and all manner of household appliances which newlyweds need.

These new families' needs will be reflected also by increased demand for new housing. During the war, we have not been able to keep pace with even normal demand—and now the demand is far above normal. Many millions of homes must be built in the immediate years ahead to catch up with the market.

These needs very often will be coupled with the financial ability to buy.

Cash, bank deposits and Government bonds in the hands of the people have trebled since 1940. Liquid assets in the hands of individuals now total more than one hundred and twenty-six billions of dollars. In three and a half years of war our people saved more than they would have saved in 10 years at the 1940 rate. They accumulated these savings because the Government asked them to as a deterrent to inflation and because many of the goods they wanted to buy were not on the market.

Inflation Threat

Now that these goods are becoming available again, the demand for them will surpass supply until our manufacturers can expand production. Here is where the dangers of inflation are greatest.

We must fight this threat of inflation as we would the plague. The first and best way to fight it is to produce more goods.

There is reason for optimism on this score.

Despite the inevitable interruptions and bottlenecks, reconversion is going ahead. We know that our manufacturers are displaying courage and imagination in planning their future output. As reconversion is completed and expansion of production gets under way, thousands of new products—as well as a record-breaking volume of new models of prewar products—will begin to flow from our factories.

The postwar plans of your own New England manufacturers are an example of what is happening all over the country. The New England Council conducted a survey which indicated that about 75% of the manufacturers in this area are planning to utilize war developed facilities and skill to produce new products, many of which have never before appeared on the peacetime market.

National surveys have indicated that production of aluminum products in the next year will increase 200% above the 1939 level; production of plastic materials will go up 161% and there will be an increase of 132% in the output of rayon and allied products.

We have resumed production of more than six hundred articles of iron and steel that have not been made for civilian use since early in 1942.

The Task Ahead

The task ahead is clear:

We must achieve an orderly, swift and efficient reconversion of wartime business.

We must boost our production and expand our distribution of peacetime goods as rapidly as possible.

We must, until such time as supply begins to catch up with demand, hold the line against runaway inflation.

We must maintain the income—the buying power—of our people at high levels.

We must, within that framework, plan for a steadily rising standard of living for all our people, and increased opportunity and markets for business and for the farmers.

Upon the broad outline of this program—which is really the National policy for full employment and full production — there is unanimous agreement throughout the country.

The increase of production ultimately will eliminate the threat of inflation, since it is essentially the shortage of many goods that creates the danger. Production also is the key to your own problem of meeting the expanding needs of your customers. But increasing production will take time. And in the meanwhile, we must all hold the line against inflation.

As consumers we don't want to see prices skyrocket. As businessmen we want it even less. A big rise in prices would kill off our ultimate market and ruin our chance for stable prosperity.

Mistakes After Last War

Most of you here can remember the tragic errors we made after the last World War when all controls were dropped almost immediately after the Armistice celebration.

Then, as now, there was a tempting accumulation of deferred demand and high purchasing power. The few wartime controls were quickly lifted. Prices went up and up. A race to exploit the lucrative market got underway with little thought of the future. Orderly methods of business were put aside as unhealthy competition for scarce items developed. In an effort to protect themselves against swiftly rising prices, wholesalers and retailers sought to build up abnormal inventories. Duplicate and triplicate orders were filed with many different manufacturers. In the factories, these orders built up a false backlog of demand, and prices soared.

High prices had their inevitable result. Sales fell off and consumer demand dwindled. Cancellations of those duplicate orders began to flood into the factories. Prices began to tumble. A race began to get rid of surplus inventories at almost any price, to hedge losses.

At the factories, there were layoffs and purchasing power faded. The accumulation of deferred demand was gone.

In May, 1920 the collapse came. The loss on inventories alone in a single year amounted to 11 billion dollars. This was enough to wipe out completely the business reserves accumulated during the war period. As a result more than 106,000 businesses went into bankruptcy; 450,000 farmers lost their farms through foreclosure, and one-sixth of the nation's working force was idle.

Certainly all of us have learned a lesson from that unhappy experience. We know now that only disaster could result from abrupt removal of price controls from scarce goods. We owe it to ourselves to prevent the start of the destructive cycle of boom and collapse that comes with runaway prices.

Danger in Large Inventories

Certainly, we can appreciate also the danger in unnecessarily large inventories. To assure that none will suffer from hoarding, or pre-emptive buying, at the hands of competitors, the Government is maintaining inventory controls during this emergency period. They are another of the guarantees against a recurrence of the business tragedies after the last war, and I'm sure you appreciate them as such. They will be removed as soon as supply begins to approach demand.

During the war, you distributors learned how to operate with minimum inventories. You learned that, in many instances, this actually decreased your operating costs by reducing waste and breakage in storage. It is essential that you continue operating with minimum inventories until manufacturers have had an opportunity to complete the reconversion job and to expand peacetime production.

In this immediate period of consumer goods scarcities the Government will need the help of all distributors in moving its accumulation of surplus war goods.

We do not intend to flood the market with goods which will compete with the products of industry.

The Surplus Property Administration is encouraging the development of new markets for surpluses. Through this encouragement new and probably permanent markets will be developed for the producers and distributors.

The Surplus Property Administrator, as you know, is an experienced businessman, and he is seeking the advice of businessmen. Already the assistance of some twenty-six hundred experts from industry and the distributive trades have been enlisted as consultants on these important questions:

Will the item sell in the commercial market in its present form? For what use? For what possible alternate use?

At what level or levels of trade will they sell? At what price to the consumers?

In what size lots should goods be packaged? What are the customary trade discounts?

Taxes

Another essential part of the Government's program for reconversion is the reduction of taxes. The Congress is now at work on a transition tax plan.

Our Federal tax structure must soon undergo a thorough overhauling, but pending the accomplishment of that time-consuming job, immediate relief is being planned.

Reduced taxes, however, are not the only factor which will help to strengthen the profit position of business. All along the line—from factory down through the various levels of distribution—savings in unit costs will be possible through curtailment of overtime pay, through increased productivity of workers and the more efficient techniques developed during the war. Smaller unit profits can bring greater total profits by stimulating an increased volume of sales.

Importance of Good Wages

Wherever possible a share in these savings should be passed on to the workers to keep their earnings and their purchasing power in balance with the cost of living. I am sure that employers, generally, acknowledge the importance of good wages in maintaining the American market.

Labor, on its part, must realize that workers must not press for wage increases beyond what may reasonably be granted, otherwise it will serve to bring on the very thing that would make labor's gains meaningless—runaway inflation. And again let me say we must at all costs avoid that.

I know you are all weary of wartime restrictions on your business. You would like, without doubt, to return to normal trade practices. We in Government, too, would like to be rid of the controls. We have removed many and the rest will be removed as fast as it is prudent to do so.

In maintaining the line against inflation, we have had to ask distributors wherever possible to absorb higher costs as a result of necessary increases granted to manufacturers. Increased production which is our goal is the one thing which ultimately will prevent inflation. In that increased production also lies the key to your own future profits. And keeping prices down now will help you to maintain your market. No one knows better than the distributors of America how total profits mount when mass markets can be developed with low unit profit items, and increased volume.

During the war, as the volume of sales increased, the unit costs of doing business dropped. On the whole the dollar earnings of retailers have shown substantial increases. In department stores, for example, the ratio of net profits before taxes on sales increased from 1½% in the 1936-39 period to 12% in 1944. Sales this year have been running ahead of last year's volume and show every indication of continuing to do so. And last year was the best on record.

After careful study it has been concluded that distributors should be able to absorb, without undue hardship, many of the moderate price increases which must be granted to manufacturers.

Keeping inflation in check cannot be entirely painless. There are bound to be many irritations and individual hardships. But we promise you that we will do all in our power to eliminate inequities and maladjustments which are bound to crop up, and to take care of all appeals on hardship cases promptly.

Your Government asks you to make a special effort to work under the policy which has been laid down in the public interest. Admittedly, it will not be easy. But these are not easy times. We are striking out for a greater future of full employment and full production that can mean better times for everyone. All our efforts to stimulate production so that you will have a greater volume to distribute will shorten the time during which the controls must be kept in force.

The problems we are facing are big—but they are not too big to be solved quickly and fairly if we get together—business, labor and Government—around the table and, in the American spirit of give and take, find common grounds of understanding. We have a common purpose and there should be no essential disagreement on how we will attain it.

Cincinnati Gas & Elec. Issues Marketed by Banking Group

Morgan Stanley & Co. and W. E. Hutton & Co., managers of the group which was awarded on Tuesday $45,500,000 the Cincinnati Gas & Electric Co. first mortgage bonds 2¾% series due 1975 and the underwriting of an exchange offer of 270,000 shares of cumulative preferred stock 4% series, are making a public offering of the bonds today at 101 and interest to yield approximately 2.70%. The Securities and Exchange Commission declared effective the post-effective amendments after a hearing as to whether or not the company's award to the Morgan Stanley-W. E. Hutton group on the basis of a combination bid should be set aside. At the SEC hearing in regard to the post-effective amendments a protest was made by an unsuccessful group which did not submit a bid for the underwriting of the preferred stock exchange offer.

The 270,000 shares of cumulative preferred stock 4% series are being offered at 106 to holders of the company's presently outstanding 400,000 shares cumulative 5% preferred stock series A and the exchange offer will continue through Oct. 24, 1945.

A French Financial Expert Speaks

(Continued from page 1819)

than it is exporting and, in that position, finds it advantageous to have the franc overvalued.) When and how much the franc is devalued will be up to the Minister of Finance to decide.

The recent decision by the French Government to supplement the payment of American GIs located in France was indeed a recognition of the fact that the present official rate of exchange of the franc is not realistic. Another recognition of this fact, at least by implication, is the policy, now several months old, of taxing importers so as to subsidize some exporters. The subsidies given to exporters vary according to product and circumstances. This subsidy system is not a very good system, even though the subsidies themselves might be justified, for the reason that it looks like discrimination.

As to why the two-cent rate for the franc was selected, when that rate was fixed, consideration was given to the price level throughout the French Empire and not simply in metropolitan France. The two-cent rate might have been a good rate had France not experienced a price rise after liberation. In fact, we had an increase in prices fundamentally caused by the demands by workers for wage increases, also there was a heavy budget requiring deficit financing. There might also have been a prestige factor in the selection of the two-cent rate. As to why the rate was changed from 75 francs per dollar to 50 francs per dollar, some wanted the prewar rate of approximately 48 francs per dollar.

France has something less than $2 billion dollars in gold. There is not much dollar exchange itself in the French Treasury and that held by the Bank of France is negligible. But there are large private holdings of dollar assets.

As to whether France is inclined to use its gold to meet its overseas requirements, the first purchases France has made in the United States have been paid for with gold. He added:

Naturally, it is a good policy not to use up all of our assets. It is better to have the wheels of credit turning again. It is an elementary principle of sound finance to borrow while you still have assets. In that way it is better to obtain credit. In bank credit, generally, liquid assets are important. France must increase its imports for re-equipment. From the United States' point of view it is better that gold be distributed all over the world. If you insist on getting gold for everything you sell, you will have all the gold in the world. At least so far as Europe is concerned. I feel that public opinion is very much attached to gold. The best proof of that is the black market price of gold, which must be five or six times the official parity.

As for silver, there is no French monetary sentiment for that metal.

French Position on Gold

The Bank of France sells gold only if necessary, as for the export of jewelry. If General deGaulle were to make a gift of a gold article to President Truman, the jeweler could obtain gold for that purpose [White House please note!] Now even dentists in France have difficulty in obtaining gold and are asking their customers for old gold.

That France will return to the use of gold coin in circulation does not appear likely in the visible future. France does have its advocates of the old gold standard, as does the United States. There is a difference between the feeling of the people and of the leaders as to gold. The majority of French leaders see that gold is a good means of settling special international balances. There is a profound feeling in France that it is good internally for a currency to have a gold backing, although without necessarily fixing an exact ratio.

There is today no fixed ratio between the gold reserves and the note issue in France. There used to be, but the policy changed without being publicly proclaimed. One day we simply did not publish the ratio. This was after liberation.

If we used our gold, that would be an element of instability—that is, if the French people should one day be told that there is not an ounce of gold left in France. Actually, we have used a considerable amount of gold, perhaps as much as one-fourth of our gold stock, to buy in the United States, although I am not sure of these figures.

As to what would be the proper rate of exchange for the franc after the coming devaluation, this is not something on which an official of the Bank of France should comment even off-the-record, but it may be stated accurately that a great many people in France who have studied this subject closely are thinking and talking in terms of a one-cent franc.

Exchange control will be with us for a long time. It will take a long time to get rid of any other controls. Getting rid of it depends entirely on the foreign-exchange possibilities. If the then Government of France found it possible to dispense with its exchange control without endangering the economy or inducing a flight of capital, it would do so. Certainly, many people would be willing to do it. But some politicians of the Left think that we need to retain as many controls as possible. The main consideration in removing exchange control will be that of the flight of capital, although at the present moment the main consideration is to economize the foreign exchange resources. There is a need for France to be cautious. If it were just a case of France alone, there would be a great inducement to get rid of exchange control.

Bretton Woods Program

The Bretton Woods program is complicated, but everyone in France who knows what Bretton Woods is favors that program. The reservations which France wanted to make at Bretton Woods are relatively minor. Of course no one can speak for the next National Assembly. It seems clear that Bretton Woods is a very important mechanism to get rid of currency wars. While all of the responsible French people favor Bretton Woods, its approval will be up to the new Assembly, which convenes sometime in the first half of November. The Assembly will have to take some action before December 31.

Certain French will make use of Bretton Woods institutions. Bretton Woods is not for big loans but a minor mechanism. The real meaning of Bretton Woods is to ease the exchange situation in times of temporary stress. We consider the Bretton Woods Fund really a way of oiling the exchange mechanism.

As for the Bretton Woods Bank, it will act like the Export-Import Bank now acts, lending for specific purposes, probably for re-equipment, increasing the productive capacity of the country, and so enabling the borrower ultimately to increase its exports or diminish its imports.

France's borrowing from the Bretton Woods Bank will depend on France's general policy. If we modernize and increase our productive capacity, Bretton Woods will create beforehand a mechanism for borrowing—but that will not change the basic policy of France. Without the Bank, France still will want to borrow, whenever borrowing is necessary for improving the economy.

Nationalization of Banks

Concerning the demands that the Bank of France be nationalized, this talk seems to have died down. The Bank of France is not controlled by 200 families. The Governor of the Bank of France is appointed by the Ministry of Finance with the approval of the Prime Minister. It should also be noted that the Conseil General of the Bank of France is made up chiefly of government officials, while the shareholders of the Bank have almost nothing to say about the conduct of its operation. Of course, we do have a general assembly of shareholders, but practically they are powerless.

Nationalization of big commercial banks has been talked of in France; but as for the Bank of France itself, it is already *de facto* nationalized. While *de jure* nationalization is possible, whether it is brought about depends on the feeling of the Assembly.

The big commercial banks are very much afraid for themselves. They would agree to greater discipline in the distribution of credit in such way as to help the economic revival of France. It is being recognized that credit is vested with a public interest. This does not mean making bankers into government functionaires, with all the red tape that goes with being a government official. Many people think that banking is a separate profession, a profession of taking risks, and that this is definitely not the function of the State. This recognition is evident, for example, where a government agency has financial dealings with an individual, but asks a private bank to take the responsibility for the financial obligation. The administration (civil servants) recognize the need for a privately operated banking system.

Four or five large banks are principally concerned with the threat of nationalization, including:

Associatee General
Banque Societe General
Banque Comptoir du Centre
Credit Lyonnais
Credit Commerciale de France
Credit Industriel et Commerciale
Banque Nationale pour le Commerce et l'Industrie

These big banks are not definitely or immediately threatened with nationalization, but some parties of the Left have hinted at it. On the other hand, at the Right there is general agreement on the possibility of greater discipline among the banks. The Bank of France might have greater authority than it now has over the commercial banks; something like the practical working of the Bank of England. Whereas in England this is done without formal statute, in France it might have to be made *de jure*.

More and more in France the banks are working in cooperation among themselves, and with the Bank of France. As an example, suppose that a commercial bank would like to get rid of Treasury bills to make loans to customers. I do not think they would do it without fear of objections of the Bank of France and the Ministry of Finance. I can not imagine a commercial bank saying: "I do as I please." There is an undefined moral authority. A bank that said "I do as I please" would look like a black sheep.

But you may ask, if several banks did the same thing, could they not get away with it? The answer is that they would have chosen a very bad moment, stimulating the Left to activity.

Socialization of Industries

Concerning the nationalization of other private enterprises, in general nothing more is being done on that for the present. A good part of the coal mining industry has been nationalized in Northern France, and reimbursement has not yet been completely determined, but it has been promised that the stockholders will be indemnified out of future coal output.

One automobile concern, Renault, has been nationalized because of the attitude of the owner, who collaborated with the Nazis. In this case, collaboration was the pretext for the company's nationalization.

There has been agitation for the nationalization of insurance and electric companies, but nothing specific has been done as yet and the question is now at rest.

As to the viewpoint of the DeGaulle Government on socialization, it should be observed that the DeGaulle Government is really a resistance government and not a government of any one political view. However, the majority of its members seem to lean toward the left. A re-election will be held in October. This will put before the people first, the question of whether they want the elected Assembly to be empowered to make a new Constitution or not. If the answer to this question is yes, the people must also decide in the coming election what powers the government will have thereunder. A part of the referendum of next month is a specific bill on this subject. It is a question of a balance of power between the Assembly and the Government.

During the last three months there has been a definite improvement in the economic situation in France. This is noticeable particularly in the railways, where bridges and other facilities have been repaired. Port facilities also have been improved, while coal output has increased and imports have been coming in.

Prior to the nationalization of the coal mines and just after Liberation there occurred a marked decrease in coal output. The decrease had several causes, thus, miners were dead tired after the period of Nazi enslavement and they were underfed and discouraged. Slowly their spirit improved, although they were still underfed for a long time. Now their rations and their wages have been increased and they are definitely working better.

The railway workers have worked prodigiously.

Concerning the spirit of the people, while it is immoral not to obey government regulations, sometimes those rules are not well devised, which makes the people feel abused. A case that comes to mind is where a farmer is asked to sell at less than the cost of the product. Another is where a consumer does not feel fairly treated. In such circumstances people resort to the black market.

Emergency Ended In Amortizations Under Revenue Code

Proclamation was made by President Truman on Sept. 29 of the end of the emergency period defined in Section 124 of the Internal Revenue Code, which provides for special amortization of plants or other facilities constructed or otherwise acquired for war purposes, the "Wall Street Journal" reported from Washington, Oct. 1, and continued:

Such facilities, if certified as necessary to the war effort, could be amortized over a five-year period, starting with the first month after completion of construction or of acquisition and ending, if not required for the full five years, with certification it was no longer necessary or with a Presidential proclamation of the ending of the emergency.

In either of these events the taxpayer, whether corporation, individual or partnership, may speed up his amortization to cover the period of necessity. He may elect to amortize the plant, or other facility for the period it was required for war production, recompute his taxes for previous years on the basis of the thus increased amortization and get a refund. Or he may elect to depreciate the unamortized balance in the ordinary way.

The President's proclamation stated that utilization of a substantial portion of the emergency facilities with respect to which certification has been made under the code as amended is no longer required in the interest of national defense and that the emergency period defined in the code ended as of Sept. 29. Emergency plants and facilities running into billions of dollars were built or acquired under certificates of necessity. The great majority are not yet fully amortized under the section. The President's proclamation now confronts industrial companies, utilities and others, as well as individual taxpayers, with the question of how they will treat unamortized balances.

In the vast majority of cases, especially in respect to corporations that have been paying excess profits taxes and whose tax rates may be thus expected to be lower in the future, it is likely that advantage will be taken of the privilege to speed up amortization. Estimated total of refunds has been placed at $1.7 billion.

Maxwell Heads Comm. Of N. Y. Group of IBA

John C. Maxwell, of Tucker, Anthony & Co., was elected Chairman of the Executive Committee of the New York group of the Investment Bankers Association of America at the group's annual meeting. Other new officers are W. Manning Barr, of Barr Brothers & Co., Inc., Vice Chairman, and Hearn W. Streat, of Blair & Co., Inc., Secretary-Treasurer.

John C. Maxwell

Hearn W. Street

Governors of the Investment Bankers Association, elected to serve one year as ex-officio members of the New York group, are Ranald H. Macdonald, of Dominick & Dominick, and Clifford Hemphill, of Hemphill, Noyes & Co.

Elected to serve three years as members of the Executive Committee were Wickliffe Shreve, of Lehman Brothers, and Reginald W. Pressprich Jr., of R. W. Pressprich & Co.

As retiring Chairman Frank A. Willard, of Reynolds & Co., will automatically serve one year as member of the Executive Committee.

What About Foreign Loans?

(Continued from page 1820)

one, including bankers, were for it. Our Congress approved the plan. Other countries are likely to follow. The talking stage will soon be over. Our country is embarking upon one of the most significant steps in its banking history.

Since the United States puts up the lion's share of the money, it is assumed the Bank will be located somewhere in this country. Most of the present talk centers around New York or Washington.

For our stake in the venture, we must look beyond the first step. Is is in Step No. 2, we really put up the big stakes, and this is not widely understood in the United States. The total authorized capital of the Bank for all countries is $10 billions, to which the United States subscribes about $3 billions. However, only 20% is paid down. The balance is represented by pledges to be called later in case some of the borrowers default and the Bank has to make good. It is at this point the rank and file of American investors may become concerned, for in all probability they will own most of the bonds which the Bank guarantees. Our Government will put up only about $600 millions to get the Bank going, but private investors in this country could conceivably put up as much as $9 billions to buy the guaranteed bonds. Certainly at present our country is the most likely place to sell such securities.

Once the pattern for floating these loans is established, we may be assured a world hungry for dollar credit will beat a path to our door. The line forms on the right. We shall be asked to spread our low-cost credit over the face of the globe. Few people realize the importance or imminence of this development, which is just around the corner.

We are so blinded to financial speed and large figures that we lose our sense of proportion. The first railroad bond issue was sold in 1831. In a century, the rail debt in private hands has reached $9.8 billions. In half a century American investors have built up their holdings in utility bonds to about $10 billions. They now have invested a total of $9.6 billions in the capital funds of our 15,000 banks.

Within a decade, however, we may see all of these figures topped by the amount of private money which goes into foreign bonds. Indeed, the Bretton Bank alone may become the second largest borrower in this country, being exceeded only by our own Government. It is no piker's game we are starting.

Who will sell these bonds to the American investors? The answer seems to be investment bankers will be expected to do the job. That being the case, they should have a real part in the plans and councils which have to do with these flotations. If the bonds go bad, investors will blame the bankers who sold them.

The investors will ask "How good will these Bretton Woods bonds be?" The answer is "They should be sound." To begin with, they will be guaranteed by the Bank of 44 nations, in which the United States is a 30% stockholder. The loans made by the Bank are to be guaranteed by the government of the country where the borrower is located, or by its Central Bank. In addition to the rate of interest paid the lender, an extra 1 to 1½% per year is to be paid into the Bank for reserves against losses. All in all, it is expected the credit may be good enough to sell at a 3 to 3½% rate. Things will be a bit different from the 7 and 8% foreign loans floated in the 'twenties.

Who will buy these loans? There are the following prospective buyers:

1. **Individuals.** There are 85 million bond buyers in this country. They have a lot of money tucked away.

2. **Banks.** The Treasury went all out for Bretton Woods; it probably will give deposit bankers permission to buy these foreign credits. Our banks have about $30 billions in uninvested funds. They may send some of them abroad.

3. **Insurance Companies and Trust Funds.** The former invest over $2 billions per year. Will they put the widows' mite and the orphans' nest eggs in these foreign securities? Here we are likely to run into an issue which may be debated in every state legislature in the country. Many states, such as New York, Massachusetts, and Connecticut, have more or less rigid requirements about investing money of this kind. At present, foreign credits are not generally eligible. However, it now appears our State and Federal Governments will soon be asked to give their legal blessing to the new kind of foreign loans. It seems probable they may do so.

One of the very first things the new Bank will have to decide is whether to float large general loans in the form of guaranteed debentures with unspecified purposes, or whether each individually guaranteed loan will be sold separately. If the latter proves the case, then people will have to get out their geographies and learn to pronounced the names. Albania and Czechoslovakia will become as commonplace as Oskosh and Kalamazoo. The more likely course is that the Bank will put the Albanian loan, the Czech loan and the others into a general credit. The investor will then simply look to the guarantee—the same as he does in the case of Federal Land Bank bonds. No one knows exactly what farm secures what land bank bond.

SEC

Must the Bretton bonds be registered with the Securities and Exchange Commission? At present they would have to clear that agency, but the Congress may well decide the inspection which a trained staff of the International Bank could give each loan would be adequate and that, as with Federal Land Bank bonds, the Bretton bonds need not be registered. Similar exemption might also be given to public offerings of loans originally made by the Export-Import Bank. Later on this Bank may sell some of its loans to private syndicates for general distribution to the public. The agencies which deal with foreign securities should cover the foreign field. Division of authority with the SEC would be confusing.

Some Countries May Borrow Direct

The International Bank will, of course, not be alone in the foreign credit field.

If we assume everything goes smoothly with the Bretton Bank and its guaranteed bonds sell to yield 3 to 3½%, we must not forget the Bank itself will ask 1 to 1½% annually of the borrowers so the cost of money to the latter will be 4 to 5%. Countries with credit sufficiently good to attract lower rates may well by-pass the International Bank and go directly to investors, as they did in days gone by.

There are many other avenues for the American dollar to trip abroad. The resources of our Export-Import Bank available for foreign loans have been increased to $3½ billions. At this very moment certain countries are now negotiating for very large Government loans or grants. In addition, some of our largest commercial banks are eyeing the foreign field. Make no mistake, the great reservoir of liquid capital in our country traditionally used at home is now being called upon to do a world-sized job.

Now we come to the point: Do we have the know-how in the international field? Will things be different from the past or will Uncle Sam start out as Uncle Bountiful and wind up becoming just plain Uncle Sap? The answer is that while our experience has been limited, we can dig in and do the job provided we use the available talent. The financial problems we are to face and the avalanche of American capital which will shortly flow abroad require the closest collaboration with business men and bankers. If we don't get this, our foreign lending will be just another headache.

One of the great secrets of English success in international banking has been the united front which that government, their bankers and their business men displayed throughout the years.

There are all kinds of dollars within our own borders: the Government dollar, the labor dollar, the business dollar, and quite a bit of scrambling goes on to see who gets what. But in any event, these dollars wind up in some American pocket. When the familiar cartwheel goes abroad, however, it may be quite another story. If this dollar gets lost in the scramble, it may help world trade, but for the investor it will be just a memory.

There are now over $17 billions in gold and dollar reserves of foreign countries. In 1928 the figure was $7 billions. Our place in world finance is rapidly gaining in importance.

Things can really be different with International Banking this time but certain points should be borne in mind:

Important Points

A. Our Government has wisely set up a Foreign Finance Council to co-ordinate foreign lending. The Council consists of the heads of the Treasury, State, and Commerce Departments, the Federal Reserve, and the Export-Import Bank. This is a most important step but it is not enough. There should be added representatives of the insurance companies, savings banks and foreign bond holders. Commercial bankers and investment bankers should participate. We are getting into a new business in a tremendously big way—almost overnight. We had better pool our information or the big bad wolf will get us in the international field. Foreign banking is not just a job for technicians.

B. Sizable amounts of the bonds guaranteed by the Bretton Bank should be sold in other countries than our own. It would be most unwise for our investors to take 100% of these issues. Some loans are bound to go sour. The other 43 countries would pay assessments much more cheerfully if the money was partly going to their own nationals.

C. The main thing is management. What will the borrower do with the money he gets? Bankers very much like the idea that the International Bank will make only constructive loans. Money loaned so the borrower can get new tools or get old tools out of hock enables him to go to work. The banker with the glass eye who loans us money at home invariably finds out what we were going to do with the cash. It is a wise precaution. It may take the "do gooders" to get things started. It will take the far-sighted credit men to keep them going.

D. The Bretton Woods Bank and our Export-Import Bank should not do all the foreign lending. Wherever possible we should strive for privately-placed credits. History shows the pay-off on privately-placed loans is best. Government loans frequently give way to expediency.

E. We must help make the International Bank work. There was scarcely a dissenting voice on this part of the Bretton Woods plan. Some 44 nations are going to try to get together and do business on multilateral lines with stabilized currencies. The ultimate rewards can be truly great.

F. On the hopeful side, interest rates will be lower and not the back-breaking rates of the 'twenties. Rules provide for constructive loans. More careful scrutiny will be given than for the ill-fated bond issues of two decades ago. We are embarking on troubled seas, but the peace and prosperity of the world are at stake. International banking can really be different this time.

Banks Have a Selling Job

(Continued from page 1822)

wane largely to the extent that they succeed or fail in presenting their wares effectively. This in my judgment is no less true of banking than it is of selling peanuts or steam boilers.

A few months ago, as President of the New England Council, I sat with the Council's Bankers Committee in a discussion of Mr. Edward E. Chase's first report on the Financing and Ownership of New England Business Enterprises. Naturally, the Council wanted the criticisms of its banking constituency on the content of the report before publishing it, and I may say that you gentlemen were most helpful and articulate in clarifying certain aspects of it. I had a feeling, however, that the report was almost resented in some quarters, primarily on two counts: First, because it wasn't couched at all points in your language, and second, because it was critical of certain existing banking procedures. The fear was even expressed that the Council might risk loss of support in some quarters if the report were published.

The Value of Publicity

Nevertheless, your committee generously submitted its comments to Mr. Chase and his committee with unquestioned benefit to all concerned. I think the Chase report was measurably improved as a result, but I want to stress a point in this connection. We of the New England Council felt and still feel that we were doing a signal service to the banking business in giving it a cross-section view of what representative business and professional men of New England think about bank methods and policies and what they feel bankers need to do in order to advance the interests of the New England region. While the New England banker feels with some justice, perhaps, that his policies have stood the test of time and that he can stand on an excellent record, nevertheless we are entering a new and highly competitive period, and it is important that we be in tune with the public pulse.

During the past 15 years, you and I have had to start doing a lot of things which we haven't particularly enjoyed doing, submitting to controls and regulations which we once thought were unholy invasions of our sovereign rights, but which we have had to learn to take in our stride as concomitants of a new era. These trends are not confined to our shores; they are world-wide. Indeed the New Deal was old in many countries before we even heard of it. Even England has gone Socialist, and the Old Lady of Threadneedle Street will soon become a department of government. And so ironically, despite the social legislation which has characterized the past decade in these United States, we are now hailed as the last bastion of free enterprise.

Banks Have a Selling Job

Well, gentlemen, Americans have been on the spot before and have preserved their way of life when a lesser people would have given up the ghost. They can do it again. But if freedom of enterprise is to prevail, if we are going to get the government out of the banking business and put ourselves back in it, in brief, if banking is to remain in private hands, then you and I have a selling job to do. We must be alive to what the public wants and try to provide it. We should give the most thoughtful and constructive consideration to such public expressions as the reports of the Chase Committee and attune ourselves to the needs of our prospective customers. How does a cosmetics manufacturer sell 5 cents worth of slightly scented lanolin for two dollars and a half? Primarily by putting it up in a pretty package and calling it "Passion's Allure," or something of the sort. All of the Consumer Research Institutes in the world can tell the ladies that they can get the same thing across the drug counter and mix it up in their own kitchens for a dollar a gallon, and they'll still flock to the perfume counter and buy the product with the fancy label. That, briefly, is what the public wants, and the smart merchandiser bows to the inevitable with salutary effects on his profit and loss statement and balance sheet. I don't expect bankers to bedeck their counters with pink ribbons and forget-me-nots, but there is a sound lesson to be derived by bankers from a study of the methods of the more successful merchandisers in adapting their services to the public's wants—and, to indulge in a metaphor, putting up their product in a package which possesses sales appeal.

Keep in Touch With Your Communities

I urge you to study the needs of your New England community to the end that your attitudes and policies, and the services which you offer, shall be tailored to fit those needs. New England banking is one of the great resources of our region, but the converse is true that New England industry and commerce are the things which have made New England banking great. If you would keep it great, look to your commerce and industry and be sure that you have missed no chance to serve them well and to keep them here.

To this end, I think it is tremendously important that New England bankers should keep in active touch with the manufacturers and merchants within their own communities. Through some curious quirk in human nature, we tend to look for customers at distant points while forgetting those who are near at hand. I think it is a fair statement that I am called upon by field representatives of three times as many New York banks as I am by all the New England banks put together. Indeed, with rare exceptions, there are only two banks in New England which ever send their field men around to see me, and both are large institutions in Boston. Maybe my good friends at home take me for granted, but when a business takes a customer for granted, it is treading on thin ice. I think that banking needs a sales department just as truly as my business needs one, and if I were the sales manager of a bank, whatever my title, I should see to it that my men called regularly on the businessmen of my community, whether I knew them well or but casually, on a regular and systematic schedule, making it clear that we were looking for business, that we were concerned with their needs, that we wanted their suggestions and criticisms, in brief, that we were in existence primarily for the purpose of serving our community, of which they were an important part.

Serve Small Business

The so-called small businessman has received a lot of public notice of late, and though I don't know just what a small businessman is, I know that there are a lot of them in New England. Now the banks on whose boards I serve do in fact transact a lot of business with the small businessmen, and it is my distinct impression that there is no disposition on their part to be either distant or uncooperative in dealing with them. On the other hand, it is abundantly evident from the pronouncements of the small business associations and from the activities of the Smaller War Plants Corporation and some other Government agencies, that the small businessman himself feels that bankers are either unable to serve him adequately or are indifferent to his needs. Here again the important thing to recognize is not what you and I *believe* to be the situation, but what our potential customer *thinks* is the situation. I contend that the need is for more intelligent sales activity on the part of the banks themselves. The New England bank with a Vice-President in Charge of Smaller Business Loans may not alter its policies or services by one whit, but the mere presence among its officers of a man who talks the little fellow's language, is humble enough to call on him at his place of business to find out what he wants, and is sympathetic to his needs and ready with counsel and advice, will have gone a long way towards keeping banking in private hands, preserving free enterprise, and furthering the retention and growth of industry within New England. I don't see how you can fail to recognize the need. If you don't, the Government will, for small business has become a political hot potato and something is going to be done about it.

Don't Encourage Government Participation

I have been appalled during recent years at the readiness with which some bankers have welcomed, and indeed encouraged Government participation in loans. If this had happened only in instances where the prospective borrower was obviously poor credit, I could understand it; but too often, alas, the attitude has been the result of mere lassitude and indifference. Do you want a concrete example? I'll give you one, if you will forgive my talking about myself. I walked into a large bank a few months ago and stated that I was a bit concerned about the possibility of a cash stringency in our business in the event of a sudden termination of hostilities resulting in a temporary moratorium or unreasonable delay in collections. I told the banker that while our financial position, which I will modestly admit is a very sound one, made it seem unlikely to me that we might encounter any such difficulty, nevertheless I wanted to be sure that our credit line was intact and that we could get help if and when we needed it. Without even asking me a question, or looking at our balance sheet, and in spite of the fact that this banker had known, over a period of many years, the fiscal condition of our company, his reply was, "I suggest that you aply for a V-T loan." Well, I thanked him and left because, if that was the limit of his advice and assistance in facing my business problems with me God help me if I ever really found myself in a pinch with him. This is the sort of thing that I believe is one of the most vicious fruits of the war in banking circles. "Government Participation" is an enervating thing. Like the road to the corporate State and the Fascist or Socialist economy, or whatever you want to call it, it is a primrose path, but there is a bed of poison ivy beneath the lovely blossoms. It is so easy to lean on Uncle Sam's shoulders and so difficult to get out of his embrace.

I believe in freedom of enterprise, and that the best government is the least government, consistent with respect for law and order; but it takes effort to preserve it. In the last analysis, the people will get what they want. When Wendell Willkie was campaigning for the nomination last year, he said to a group of Rhode Island Republican bluebloods: "Don't waste your breath condemning Mr. Roosevelt for the New Deal. If he had not been President, somebody else would have given the country the same thing he did, because that is what the poeple were asking for—asking for it because men like you offered no better alternative."

And so, in conclusion, I say that we, as bankers, must rededicate ourselves to the kind of banking which made New England great when banks were integral parts of the small communities in which they were located—alive to the needs of their close neighbors and friends who made up the warp and woof of their business community, and who became great because the little businesses which they nurtured through adolescence in due course became flourishing enterprises, and in many instances far-flung corporate entities with worldwide interests.

Let's do a little more working and boosting like our less reserved brethren to the west, to insure a bigger and better New England.

A Program of Tax Revision

(Continued from page 1824)

taxpayers be permitted to use their unused excess profits credits just as though the excess profits tax continued in effect.

Your Committee further recommends that the present carry-back of losses be continued for a period of two years after the termination of the excess profits tax, and the period for carrying forward one year's losses be lengthened so as to apply against subsequent earnings for a period of six years. Amendments should be immediately adopted which will remove the difficult adjustments in computations relating to such items as government bond interest, depletion, dividends, etc.

3. Elimination of Double Taxation of Corporate Dividends

Income derived by stockholders is now taxed twice—once when the corporation pays a tax on its earnings, and again when the earnings are distributed among the stockholders as dividends. In order to avoid this duplication, so far as practicable, it is recommended that the normal tax rate on corporate income be fixed at a rate equal to the rate of basic tax upon individual incomes, say 20%, and that dividends be free of normal tax to the individuals receiving them. Thus, the stockholder would, in effect, be credited with the corporate tax which will be treated as having been paid in his behalf. This would be equivalent to a withholding tax on behalf of the stockholder on corporate net income paid out in dividends to the extent of the normal tax, leaving only surtax to be paid by the stockholder.

4. Capital Gains and Losses

The capital gains tax is a direct and unwise restriction upon the private enterprise system. It serves to destroy incentive and prevent freedom of transfers necessary to keep the investment portfolios of the nation in a sound condition. Furthermore, in the long run the receipts from this tax are not an important item of government revenue.

Your Committee recommends the abolition of the tax and, pending its repeal, favors an immediate reduction of the tax to a flat rate of 12½%, similar to the tax in force on 1921, accompanied by a 12½% allowance of capital losses as an offset against ordinary income.

5. Declared-Value Excess-Profits and Capital-Stock Taxes

This Association has repeatedly declared itself as in favor of the repeal of these taxes. They have no real basis in reason for their existence; they are a constant annoyance to business; and the revenue derived from them is apparently insignificant.

Your Committee recommends that the Association reassert its demand for the repeal of these taxes applicable to the year beginning Jan. 1, 1946.

With respect to the question whether in the place of these taxes there should be a tax to apply to corporations that do not make profits as well as to corporations that make profits, your Committee believes that no such tax should be imposed. So far as Federal taxation is concerned, the corporation income tax should be the only tax imposed directly on corporations. Any taxes in the nature of franchise taxes should be left to the states under the laws of which corporations are licensed, and any approach toward a Federal licensing system for corporations should be avoided.

6. Depreciation

Corporate and non-corporate enterprises should be allowed greater latitude in making annual allowances for depreciation. So long as the depreciation charges are limited in the aggregate to the original cost of business assets there can be little difference to the government in the long run, whether such assets are written off slowly or rapidly. The ability to amortize assets rapidly provides an important stimulus for the purchase of new and more efficient equipment. Also, adequate tax deductions should be allowed for accumulated deferred maintenance and repairs which were not taken care of due to the inability to obtain materials and labor during the war period.

7. Tax on Intercorporate Dividends

Your Committee recommends that the Association continue to favor the repeal of the tax on intercorporate dividends effective for the year beginning Jan. 1, 1946. It would serve as an encouragement to business as well as to restore a fair practice common to earlier tax laws if the plan originally adopted in 1918 were restored under which corporate dividends were exempted from taxation.

8. Consolidated Returns and Undistributed Profits

It is the further recommendation of your Committee that the Association reiterate its position in favor of the repeal of the penalty tax of 2% on the filing of consolidated returns, and oppose any taxation of undistributed profits.

B. Individual Income Tax

The Association has, in the past, advocated the lowering of individual income tax exemptions, which has been in effect, in order that the government might reach through taxation a large number of persons not previously taxed for the support of the government. In your Committee's judgment a tax on individual income is less deterrent in its effect upon production and the flow of venture capital than taxes upon corporate profits, provided that the tax rates on the uper income groups are sufficiently lightened to give encouragement to risktaking, and that the tax rates in the lower income groups are not so high as to limit consumer markets unduly.

Your Committee recommends that:

1. For the year beginning Jan. 1, 1946, a flat reduction of 20% be made in the Federal income tax on individuals after computing the tax under the present law.
2. The combined normal and surtax be limited to a ceiling of 50%. There should be an eventual reduction in rates so as to provide for a tax rate not exceeding 50% in the highest bracket. If there were a normal tax rate ranging from 15 to 20%, the graduated surtax rates would run from 1 to 30 or 35%.
3. The present exemption for the regular income tax of $500 for each taxpayer and for each dependent be retained.
4. The present combined tax of 23% for the lowest bracket of taxable income should eventually be replaced by a single tax of 16 to 20%, depending upon revenue requirements. This rate would then be geared in, as suggested above, with the normal tax for corporations in order to avoid the double taxation of corporate dividends.
5. Withholding of individual Federal income tax at the source be continued.

C. Excise Taxes

Over two billion dollars were collected in the past fiscal year by the Federal Government in sundry excise taxes. Your Committee recommends that excise taxes be reduced in the post-war period to a point which will not interfere with the reduction recommended in the income tax rate. The question of retention, abolition or reduction of excise taxes or their rates should take into consideration:

1. The deflationary tendency of the tax.
2. The optimum point of productivity of revenue derived from the tax.
3. The nuisance effect.
4. The adverse effect on industry and employment.

Your Committee recommends that the Association reiterate its position in favor of the repeal of Section 620 of the Revenue Act of 1942, imposing a 3% tax on the amount paid for the transportation of property by rail, motor vehicle, water or air. The objection to this tax is that it is a heavy burden on manufacturers and distributors of consumer goods.

D. Expenditures and Debt

Economy in government expenditures is a vital part of sound government policy. In view of the large expenditures made for the prosecution of the war and the genuine need to end the Federal practice of deficit financing, governmental expenditures should be restricted to the conduct of essential activities.

Your Committee recommends that there be improvements in the methods of determining appropriations and controlling expenditures. Furthermore, Congress should have information regarding and supervision and control over all government corporations and their scope of operations.

Your Committee believes that through the curtailing of all but the essential expenditures of government, the Federal budget can be balanced in the fiscal year 1948, which budget should include provision for debt retirement.

E. Estate and Gift Taxes

Your Committee reiterates its recommendation that

1. The present exemption of $60,000 for estate taxes should be increased to $100,000, and that the rates be materially reduced.
2. The gift tax be more clearly differentiated from the estate tax by taxing gifts at rates sufficiently lower than estate tax rates to encourage lifetime giving.
3. Gifts made more than two years before death be freed of any question of having been made in anticipation of death, and, further, such gifts made within two years of death should be so freed unless the government can prove that they were made for the purpose of avoiding inheritance taxes.
4. There be no integration of the estate and gift taxes.

F. Social Security Payroll Tax

Under the provisions of the Social Security Act the payroll tax will be increased from one to two and one-half per cent for the year 1947. Since a special committee of Congress is studying the entire subject of social security—its coverage and financing—it is the recommendation of your Committee that the one per cent rate presently in effect not be increased at the present time.

G. Technical and Administrative Amendments

1. Section 722 of the Internal Revenue Code, providing relief against cases of hardship, has become enmeshed in a mass of technicalities. Your Committee recommends that the principle of arriving at a constructive normal base period net income should be given effect, freed of the arbitrary and technical rules now in the statute and regulations. Further, the Committee recommends that there be vested in the Tax Court the power of final determination of the measure of relief in reviewing the action of the Commissioner of Internal Revenue.

2. It is recommended that Section 107 of the Internal Revenue Code be amended in two respects:

(1) Where subsection (a) uses the term "personal services" such term should be changed to "work done"; and

(2) That the amendment proposed in (1) above together with the amendments made by Section 139 (a) of the 1942 Act be made retroactive to all taxable years beginning after December 31, 1938.

The first amendment suggested above would make it clear that the income could be spread over the entire period of the work done and not necessarily limited to a period under which a contract of employment may have existed.

The second amendment relating to the effective date would put all taxpayers similarly situated during the period since the original enactment of Section 107 on an equal footing and prevent any discrimination. For the years 1939 and 1940 Section 107 (a) required the services to have been performed over a period of five calendar years or more and that 95% of the compensation be paid upon completion of such services; as to the year 1941 the requirement is that the services be performed over a period of sixty months and that 75% of the compensation be received or accrued in one taxable year; and beginning with 1942 to date the requirement is that services be performed over a period of thirty-six calendar months and that at least 80% of the compensation be received or accrued in one taxable year. In other words, under the existing law Section 107 might be applicable to individual A who received his compensation in the year 1944 but not be applicable under entirely similar circumstances to individual B who received his compensation in 1941.

3. Provision should be made for the deduction of experimental research and developmental expenses.

4. The foreign war loss and recovery provisions should be modified.

5. The base, which is now surtax net income, for computing the eighty per cent ceiling should be changed in order to avoid the

(Continued on page 1863)

Calendar of New Security Flotations

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

SATURDAY, OCT. 20

WISCONSIN POWER & LIGHT CO. on Oct. 1 filed a registration statement for 120,000 shares of 4½% preferred stock, cumulative, par $100, to be offered in exchange to holders of 6% and 7% preferred stocks on a share for share basis plus cash adjustments.

Details—See issue of Oct. 4.

Underwriters—The company will form a group of security dealers to obtain acceptances to the company's proposed exchange offer.

PROVINCE OF ALBERTA, CANADA, on Oct. 1 filed a registration statement for $26,093,000 serial debentures due annually on June 1 in 1951 through 1960. The debentures carry interest rates of 2¾% to 3¼%, according to maturity.

Details—See issue of Oct. 4.

Underwriting—First Boston Corp.; Harriman Ripley & Co., Inc.; Smith, Barney & Co.; Halsey, Stuart & Co., Inc.; Wood, Gundy & Co., Inc.; Dominion Securities Corp.; A. E. Ames & Co., Inc.; McLeod, Young, Weir, Inc., and Otis & Co., Inc.

KERITE CO. on Oct. 1 filed a registration statement for 50,000 shares of common stock, par $10. The shares are issued and outstanding and are being sold by certain stockholders.

Details—See issue of Oct. 4.

Offering—The offering price to the public will be filed by amendment. The shares are being sold by certain stockholders included among whom are Lee Higginson Corp. and Chas. W. Scranton & Co., who are also included among the underwriters.

Underwriters—The group is headed by Lee Higginson Corp. and Chas. W. Scranton & Co.

SUNDAY, OCT. 21

WIEBOLDT STORES, INC., on Oct. 2 filed a registration statement for 35,000 shares of cumulative preferred stock (no par). The dividend rate will be filed by amendment.

Details—See issue of Oct. 4.

Offering—Stockholders on Oct. 19 will be asked to approve an issue of 50.000 shares of new cumulative preferred stock and to authorize 160,000 additional common shares. Of the initial series of 35,000 shares, 13,950 new preferred will be offered in exchange share for share for the 13,950 outstanding $5 prior preferred shares and 19,689 shares will be offered in exchange on the basis of 0.51 of a share for one, for 38,606 of the 58,606 outstanding 6% preferred shares. The underwriters will purchase unexchanged stock and 1,361 additional shares.

Underwriters—The group is headed by A. G. Becker & Co., Inc., Chicago.

MONDAY, OCT. 22

DRAVO CORP. on Oct. 3 filed a registration statement for 98,232 shares of common stock. Shares are issued and outstanding and are being sold by certain stockholders.

Details—See issue of Oct. 11.

Offering—Price to the public will be filed by amendment.

Underwriters—Group is headed by Mellon Securities Corp.

COLUMBUS & SOUTHERN OHIO ELECTRIC CO. on Oct. 3 filed a registration statement for 133,745 shares of 4¼% cumulative preferred stock.

Details—See issue of Oct. 11.

Underwriters — Merrill Lynch, Pierce, Fenner & Beane are named dealer manager to organize a group of securities dealers to solicit deposits under the exchange plan.

AMPAL-AMERICAN PALESTINE TRADING CORP. on Oct. 3 filed a registration statement for 400,000 shares of 4% cumulative preferred non-voting shares.

Details—See issue of Oct. 11.

Offering—The price to the public is $5.50 per share.

Underwriters—The shares will be sold through the efforts of the directors and employees of the corporation.

ANGERMAN CO., INC., on Oct. 3 filed a registration statement for 90,000 shares of common stock, par $1. The total includes 40,000 shares being sold by David F. Engel, President, who presently owns 125,000 shares of common stock.

Details—See issue of Oct. 11.

Offering—The price to the public is $8 per share.

Underwriters—Van Alstyne, Noel & Co heads the underwriting group.

UNITED TRANSIT CO. on Oct. 3 filed a registration statement for $10,000,000 convertible 4% sinking fund debentures due Aug. 1, 1965. Of the total $4,000,000 are being sold by present holders.

Details—See issue of Oct. 11.

Offering—The price to the public will be filed by amendment.

Underwriters—The group is headed by Harriman Ripley & Co., Inc.

POLAROID CORP. on Oct. 3 filed a registration statement for 80,875 shares of common stock, par $1.

Details—See issue of Oct. 11.

Offering—Company is offering the new stock to its stockholders at the rate of one share for each four shares held of record Oct. 11. Certain of the company's stockholders have agreed not to exercise their rights to purchase 34,061 shares which shares are being purchased by the underwriters as well as any other unsubscribed shares. The subscription price will be filed by amendment.

Underwriters—Group is headed by Kuhn, Loeb & Co.

TUESDAY, OCT. 23

CONSOLIDATED CIGAR CORP. on Oct. 4 filed a registration statement for $4,000,000 20-year 3¼% debentures due Oct. 1, 1965.

Details—See issue of Oct. 11.

Offering—The price to the public will be filed by amendment.

Underwriters—Eastman, Dillon & Co. heads the group.

WEDNESDAY, OCT. 24

GAR WOOD INDUSTRIES, INC., on Oct. 5 filed a registration statement for 70,000 shares of cumulative convertible preferred stock, $50 par. The dividend rate will be filed by amendment.

Details—See issue of Oct. 11.

Offering—The price to the public will be filed by amendment.

Underwriters—The group is headed by Lehman Brothers, Emanuel & Co., and Blair & Co., Inc.

MAJESTIC RADIO & TELEVISION CORP. on Oct. 5 filed a registration statement for 300,000 shares of convertible preferred stock, $5 par.

Details—See issue of Oct. 11.

Offering—The price to the public is $5 per share.

Underwriters—The group is headed by Kobbe, Gearhart & Co., Inc., and Newburger & Hano.

SATURDAY, OCT. 27

PACIFIC GAS & ELECTRIC CO. on Oct. 8 filed a registration statement for $49,000,000 first and refunding mortgage bonds, series N, 3%, due Dec. 1, 1977.

Details—See issue of Oct. 11.

Price—The price to the public will be filed by amendment.

Issue Awarded Oct. 17 to First Boston Corp. and associates on bid of 104.7999 for 3% bonds.

DEVOE & RAYNOLDS CO., INC., on Oct. 8 filed a registration statement for $3,500,000 20-year sinking debentures, due Oct. 1, 1965. The interest rate will be filed by amendment.

Details—See issue of Oct. 11.

Offering—The price to the public will be filed by amendment.

Underwriters—Underwriters are Shields & Co., Lee Higginson Corp.; Eastman, Dillon & Co.; Ladenburg, Thalmann & Co.; Graham, Parsons & Co.; Paine, Webber, Jackson & Curtis; Singer, Deane & Scribner; Auchincloss, Parker & Redpath; Otis & Co.; Baker, Watts & Co.; Moore, Leonard & Lynch; Stein Bros. & Boyce; Farwell, Chapman & Co.; Kalman & Co., Inc.; R. S. Hudson & Co., Inc. and Hill & Co.

NOMA ELECTRIC CORP. on Oct. 8 filed a registration statement for $2,000,000 15-year 4¾% sinking fund convertible debentures, $1,200,000 three-year 2% subordinated convertible notes and 163,120 shares of common which are reserved for conversion of the debentures, notes and common stock purchase warrants entitling the holders to purchase an aggregate of 20,000 shares.

Details—See issue of Oct. 11.

Offering—The offering price of the debentures will be filed by amendment.

Underwriters—Reynolds & Co. heads the underwriting group.

EATON & HOWARD BALANCED FUND has filed a registration statement for 500,000 $1 par trust shares.

Address—Boston, Mass.

Business—Investment trust.

Underwriters—Eaton & Howard Inc.

Offering—At market.

Proceeds—For investment.

Registration Statement No. 2-5976. Form S-5. (10-8-45).

SUNDAY, OCT. 28

WASHINGTON STEEL CORP. on Oct. 9 filed a registration statement for 158,110 shares of common stock, par $1, with subscription warrants attached.

Details—See issue of Oct. 11.

Offering—Of the total registered 135,000 shares will be offered by the underwriters at a price to be filed by amendment. In addition, the company proposes to sell 23,110 shares of common without underwriters at $10 per share or a total of $231,100.

Underwriters—Singer, Deane & Scribner heads the underwriting group.

SATURDAY, NOV. 3

AIR CARGO TRANSPORT CORP. has filed a registration statement for 420,000 shares of common stock ($1 par) and 120,000 stock purchase warrants, of which 300,000 shares are being presently offered for sale and 120,000 shares are reserved for exercise of the warrants.

Address—350 Fifth Avenue, New York, N. Y.

Business—Company was formed in New Jersey March 12, 1945, to engage as an air carrier offering an all-cargo charter service exclusively. It does not carry mail passengers nor fly regular or scheduled routes. At present it operates one cargo plane, a Lockheed Lodestar (cargo version) having a capacity of 3,500 pounds payload. Corporation has contracted to purchase from the Reconstruction Finance Corporation six Douglas C-47 planes at a price of $20,000 per plane for five planes and $25,000 for one plane. Each of these planes has a cargo capacity of approximately 6,000 pounds payload. Delivery of the planes is expected shortly. The corporation made its first commercial flight the latter part of last July.

Underwriters—Bond & Goodwin, Inc., heads the underwriting group.

Price—The price to the public is $3 per share, with an underwriting commission of 50 cents per share, or a total of $750,000 to the company. Company is also selling 120,000 warrants at one cent per warrant share entitling the holders to purchase 120,000 shares at $3 per share for a period beginning 180 days after the effective date of the registration statement and ending five years thereafter.

Proceeds—Will be used for the purchase of flying equipment, spare engines and parts, repayment of a $50,000 loan, and for working capital. Part of the latter may be used to purchase one or possibly two Fairchild Packets when the plane, or one similar, is available. The Fairchild Packet has a cargo load of 17,500 pounds and may cost as much as $200,000.

Registration Statement No. 2-5978. Form S-2. (10-15-45).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

AEROVOX CORP. on Sept. 27 registered 176,025 ($1 par) common shares.

Details—See issue of Oct. 4.

Offering—Offering price to public $9.25 a share.

Underwriters — Ames, Emerich & Co., Inc. and Dempsey & Co. are named principal underwriters.

AMERICAN CENTRAL MANUFACTURING CORP. on Aug. 24 filed a registration statement for 145,088 shares of common stock, par $1.

Details—See issue of Aug. 24.

Offering—The company is offering the new stock for subscription to its common stockholders of record Oct. 16 on the basis of one additional share for each 2½ shares held at $14.50 per share. Rights expire Oct. 30. Of the total, 85,304 shares will be offered to Aviation Corp., as stockholder, and 59,784 shares will be offered to other stockholders. Any shares not subscribed by other stockholders will be purchased by Aviation Corp.

Underwriters—None named.

ANCHORAGE HOMES, INC. on July 17 filed a registration statement for 505,000 shares of Class A capital stock, par $1, and 250,000 shares of Class B stock, par 10 cents.

Details—See issue of July 26.

Offering—There is to be presently offered to the public 250,000 shares of Class A and 50,000 shares Class B to be offered in units of 10 shares of Class A and 2 shares of Class B at a price of $60.20 per unit.

Underwriters—Andre de Saint-Phalle & Co., heads the underwriting group.

ARDEN FARMS CO. on Aug. 31 filed a registration statement for 50,000 shares of $3 cumulative and participating preferred stock, without par value.

Details—See issue of Sept. 6.

Offering—The company has granted holders of its preferred stock rights to subscribe to the new preferred at the rate of one share for each 2½ shares held at $52 per share. Unsubscribed shares shall be sold at such price as fixed by the board of directors.

Underwriters—To be filed by amendment.

AVIATION CORP. on Sept. 28 filed a registration statement for 300,000 shares of cumulative convertible preferred stock (no par). The dividend rate will be filed by amendment.

Details—See issue of Oct. 4.

Offering—Of the 300,000 shares the company is offering 289,675 shares to its common stockholders at a price and on a basis to be filed by amendment. Any unsubscribed shares and the 10,325 additional shares will be purchased by the underwriters and offered to the public at a price to be filed by amendment.

Underwriters—The group is headed by Lehman Brothers and Emanuel & Co.

BARIUM STEEL CORP. on Sept. 28 filed a registration statement for 166,063 shares of common stock, par $1.

Details—See issue of Oct. 4.

Offering—Company is offering to the holders of its common stock the right to subscribe to the new common shares at $3 per share, at the rate of one new share for each five shares held. There are no underwriters, but the corporation reserves the right to sell any unsubscribed shares at a price which will net the corporation at least $3 per share.

Underwriters—Not underwritten.

BENSON HOTEL CORP. on Aug. 22 filed a registration statement for $440,000 first refunding mortgage serial and sinking fund bonds series A dated July 2, 1945, due serially Jan. 1, 1946 to July 1, 1957.

Details—See issue of Aug. 30.

Offering — The offering price to the public will be as follows: $75,000 of 3s at 100.50, $84,000 of 3¼s at 100.75 and $281,000 of 3½s at 101.

Underwriters—B. C. Ziegler & Co., West Bend, Wis., is named underwriter.

BURRILLVILLE RACING ASSOCIATION on Aug. 28 filed a registration statement for $1,000,000 6% 20-year debentures due Sept. 1, 1965, and 10,000 shares class A stock (no par).

Details—See issue of Sept. 6.

Offering—The public offering price for a unit consisting of $500 of debentures and five shares of stock is $500 with the underwriter receiving a commission of $25

Underwriters—Barrett & Co., Providence, R. I., underwriters.

CENTRAL OHIO LIGHT & POWER CO on Dec. 28 filed a registration statement for 11,972 shares of preferred stock, cumulative ($100 par). The dividend rate will be filed by amendment.

Details—See issue of Jan. 4, 1945.

Offering—Company proposes to invite proposals for services to be rendered to it in obtaining acceptances of the exchange offer of new preferred stock for old preferred and for the purchase from it of such of the 11,972 shares as are not exchanged pursuant to the exchange offer.

CHASE CANDY CO. on Sept. 17 registered 50,000 shares ($1 par) common stock.

Details—See issue of Sept. 20.

Offering—Stock to be offered to public at $8 per share.

Underwriters—Herrick, Waddell & Co., Inc. named principal underwriter.

CINCINNATI GAS & ELECTRIC CO. on Sept. 8 registered $45,500,000 first mortgage bonds due 1975 and 270,000 shares of cumulative, $100 par, preferred stock.

Details—See issue of Sept. 13.

Offering—Company will offer the 270,000 shares of new preferred stock in exchange to holders of the presently outstanding 400,000 shares of preferred stock on a share for share basis. New preferred not taken in exchange will be sold to underwriters.

Issues Awarded—Morgan Stanley & Co. and W. E. Hutton & Co. were awarded both issues Oct. 16, the bonds at 100.3391 with a 2¾% coupon and the stock at 106 less compensation of $1.72 a share with a 4% dividend.

CONTAINER ENGINEERING CO. on June 15 filed a registration statement for 25,000 shares common stock (par $10).

Details—See issue of June 21.

Offering—Price to the public is given as $35 per share.

Underwriters—William L. Ullrich, St Louis, will manage the sale of the entire issue.

COVENTRY GOLD MINES, LTD. on April 21 filed a registration statement for 333,333 shares of common stock.

Details—See issue of April 26.

Offering—Price to the public is 30 cents per share.

Underwriters—None named. The company proposes to market its own securities

CROSS CO. on Sept. 28 filed a registration statement covering 60,000 shares of 5½% cumulative convertible preferred stock, par $10; 60,000 warrants to purchase common stock; 100,000 shares of common, par $1, issuable upon conversion of preferred and 60,000 shares of common issuable upon exercise of common stock purchase warrants.

Details—See issue of Oct. 4.

Offering—The preferred stock is to be offered to the public at $10 per share. The warrants which entitle the holder to purchase common stock at $5 per share for a period of three years are to be sold to the underwriters for 5 cents per warrant.

Underwriters—F. H. Koller & Co., Inc., is named underwriter.

DAYTON POWER & LIGHT CO. on Sept. 26 registered $28,850,000 first mortgage bonds series due 1975.

Details—See issue of Oct. 4.

Offering—Price to be filed by amendment.

Underwriters—To be sold by competitive bidding.

Bids Invited—Bids for the purchase of the bonds will be received by company up to 11 a.m. (EST) Oct. 24, the bidder to specify the interest rate.

DEVOE & RAYNOLDS CO., INC., on Sept. 14 registered 40,437 shares of Class A stock (no par).

Details—See issue of Sept. 20.

Offering—35,827 shares of new class A stock is offered for subscription to holders of presently outstanding class A and class B stock, at $60 per share, on the basis of one share of new class A for each 4 shares of class A held and one share of new class A for each 20 shares of class B held. Rights accrue to holders of record Oct. 4 and expire Oct. 20. Shares not taken by present shareholders and the remainder not offered present shareholders will be sold to public.

Underwriters — Shields & Co. named principal underwriter.

EUREKA CORP., LTD., on Sept. 28 filed a registration statement for 2,595,000 shares of common, par $1.

Details—See issue of Oct. 4.

Offering—Toronto Mines Finance, Ltd., has entered into a firm commitment to purchase 480,000 shares at $1.23 per share, and has an option on 1,920,000 shares at the same price. The offering is to be made among the shareholders of Ventures, Ltd., Frobisher, Ltd., and La Luz Mines, Ltd. (Canadian companies) at $1.25 per share, and to Eureka stockholders. Price is expressed in terms of Canadian money. Shares not so acquired will be offered generally to the public. Should the option not be exercised by Toronto Mines Finance, Ltd., the company itself will make the offering, as aforesaid. The remaining 195,000 shares are to be purchased by the company geologist, officials and employees.

FLORIDA POWER CORP. on Sept. 27 registered 539,240.8 shares ($7.50 par) common stock.

Details—See issue of Oct. 4.

Offering—Offering price to be filed by amendment.

Underwriters—To be sold at competitive bidding.

Bids Invited—Bids for the purchase of the shares will be received up to 12 noon (EST) on Oct. 22 at Room 2401, 61 Broadway, New York, by General Gas & Electric Corp. and Florida Power Corp.

FRONTIER REFINING CO. on Aug. 25 filed a registration statement for $400,000 5% sinking fund debentures, due Sept. 1, 1950.

Details—See issue of Aug. 30.

Offering—Price to the public will be 100.50.

Underwriters—Boettcher & Co., Peters, Writer & Christensen, Inc., and Sidlo, Simons, Roberts & Co.

GENERAL PLYWOOD CORP. on Sept. 27 registered 135,591 shares ($1 par) common stock.

Details—See issue of Oct. 4.

Offering—Offering price to public $5 a share.

Underwriters—F. S. Yantis & Co., Inc., and W. L. Lyons & Co. are named principal underwriters.

GENERAL SECURITIES CORP. on Sept. 28 filed a registration statement for 200,000 shares of common stock, par $5.

Details—See issue of Oct. 4.

Offering—The price to the public is $7.50 per share.

Underwriters—General Finance Co., Atlanta, Ga., is fiscal agent.

GRAY MANUFACTURING CO. on Sept. 28 filed a registration statement for 95,544 shares of capital stock, par $5.

Details—See issue of Oct. 4.

Underwriters—None named.

HOUSTON OIL FIELD MATERIAL CO., INC. on Sept. 24 registered 12,500 shares of 5½% cumulative ($100 par) preferred stock.

Details—See issue of Sept. 27.

Offering—Company will offer holders of outstanding $1.50 dividend cumulative preferred stock the right to exchange their shares for new stock on the basis of 1 1-10th shares of 5½% preferred with a cash adjustment for fractional shares for each four shares of old preferred.

Underwriters—Include Dallas Rupe & Son, Dallas Union Trust Co., Rauscher Pierce & Co., Inc. and Pitman & Co., Inc.

LEHIGH COAL & NAVIGATION CO. on Sept. 28 filed a registration statement for $13,000,000 sinking fund mortgage bonds, series A, due Oct. 1, 1975. The interest rate will be filed by amendment.

Details—See issue of Oct. 4.

Offering—The price to the public will be filed by amendment.

Underwriters—Drexel & Co. heads the underwriting group.

LIBERTY FABRICS OF NEW YORK, INC. on Sept. 20 registered 100,407 shares of common stock, par $1.

Details—See issue of Sept. 27.

Offering—The offering price will be filed by amendment.

Underwriters — R. H. Johnson & Co. named principal underwriter.

METALS DISINTEGRATING CO., INC., on Sept. 28 filed a registration statement for 100,000 shares of common stock (par $1). Of the total, 30,000 shares are being sold by the company and 70,000 shares by certain stockholders.

Details—See issue of Oct. 4.

Offering—The price to the public will be filed by amendment.

Underwriters—Cruttenden & Co., Chicago, heads the underwriting group.

MONROE AUTO EQUIPMENT CO. on Sept. 27 registered 40,000 shares of 5% cumulative preferred stock (par $50), and 100,000 purchase warrants.

Details—See issue of Oct. 4.

Offering—Price to public to be supplied by amendment. Unit of one share of preferred and one warrant to be offered.

Underwriters — Hayden, Stone & Co. principal underwriter.

MONTANA-DAKOTA UTILITIES CO. on July 25 filed a registration statement for 223,351 4-6 shares of common stock (par $5).

Details—See issue of Aug. 2.

Offering—Price to the public will be filed by amendment.

Underwriters—Blyth & Co., Inc.

MORRIS PLAN CORP. OF AMERICA on Aug. 24 filed a registration statement for 937,500 shares of common stock, par value 10 cents.

Details—See issue of Aug. 30.

Offering—Common stockholders of the Morris Plan Corp. of America are being offered rights to purchase additional common stock of the company at $8 per share in the ratio of 1 3-5 shares for each share held and stockholders of Industrial Finance Corp. are being offered the right to buy Morris Plan Corp. common stock at $8 per share on the basis of 18½ shares for each share of 7% preferred stock and 4-10 share for each share of common stock held. The offer is being made in accordance with the terms of an agreement under which American General Corp. purchased 937,500 shares of common stock of The Morris Plan Corp. of America at $8 per share last August. Offered to holders of record Oct. 10, 1945, the rights expire with the close of business Oct. 30.

Underwriters—American General Corp. is named underwriter.

NASHUA MANUFACTURING CO. on Sept. 17 registered 31.085 common shares without par value.

Details—See issue of Sept. 20.

Offering—Company will offer present common holders right to subscribe to new common on basis of ½ share of common for each share held at $60 per share, the unsubscribed shares will be sold to underwriters at $58.30 per share. Company would have to utilize 31,001½ shares of common to make this offer.

Underwriters—J. Arthur Warner & Co. named principal underwriter.

NATIONAL BATTERY CO. on Sept. 27 registered 60,000 shares of common stock.

Details—See issue of Oct. 4.

Offering—Offering price to be supplied by amendment.

Underwriters—Goldman, Sachs & Co. and Piper, Jaffray & Hopwood are named principal underwriters.

NATIONAL BELLAS HESS, INC.—William M. Becker, Samuel Cutler, Ira R. Dickson, Arthur E. Dawson and George Marks, voting trustees under voting trust agreement dated Aug. 28, 1945, filed a registration statement for 1,988,448 voting trust certificates for an equal number of shares of common stock, $1 par, of National Bellas Hess, Inc.

Details—See issue of Oct. 4.

NATIONAL MANUFACTURE & STORES CORP. on Sept. 20 registered 40,756 shares of $2 cumulative preferred stock (no par).

Details—See issue of Sept. 27.

Offering—Company will sell 12,000 shares to public at offering price of $41.25 and remainder of stock will be offered to holders of company's presently outstanding $5.50 prior convertible preferred stock on the basis of two shares of $2 cumulative preferred for each share of $5.50 preferred.

Underwriters—Norris & Hirshberg, Inc., Clement A. Evans & Co., Inc., J. H. Hilsman & Co., Inc., The Robinson-Humphrey Co., Wyatt, Neal & Waggoner, and Brooke, Tindall & Co. are named underwriters.

NATIONAL SUPPLY CO. on Sept. 27 registered 170,000 shares of cumulative preferred stock, par $100. Dividend rate to be filed by amendment.

Details—See issue of Oct. 4.

Offering—Holders of 291,091 shares of prior preferred stock, 5½% series and 6% series will be given the opportunity to exchange such shares for the new preferred. Underwriters will take shares not taken in exchange.

Underwriters — Lehman Brothers and Goldman, Sachs & Co. are named principal underwriters.

NATIONAL VULCANIZED FIBRE CO. on Sept. 26 registered $3,500,000 15-year 4¼% sinking fund debentures due Oct. 1, 1960 and 400,220 shares ($1 par) common stock.

Details—See issue of Oct. 4.

Offering—Offering price to the public to be supplied by amendment.

Underwriters — Union Securities Corp. and E. H. Rollins & Sons named principal underwriters.

NORTHERN STATES POWER CO. on Sept. 21 filed a registration statement for $75,000,000 first mortgage bonds, due Oct. 1, 1975.

Details—See issue of Sept. 27.

Bids Invited—Company will receive bids for purchase of the issue up to 11 a.m. (CST) at Room 1100, 231 S. La Salle Street, Chicago, the successful bidder to specify the interest rate.

PENNSYLVANIA POWER & LIGHT CO. on Sept. 24 registered 1,818,719 shares of common stock, no par and 1,818,700 subscription warrants entitling holders to purchase such stock at $10 a share.

Details—See issue of Sept. 27.

Offering—National Power & Light Co. as holder of all of the outstanding common stock of Pennsylvania Power & Light Co. will be entitled to subscribe to 1,818,700 shares of the new common. National will in turn offer its stockholders the right to subscribe to the new stock on the basis of ⅓ share of new Pennsylvania Power & Light common for each one share of National Power & Light Co. common stock held. Electric Bond & Share Co. has agreed to take the number of shares proportionate to its common holdings in National (46.56%) and National has agreed to take the shares not taken by its remaining stockholders.

Underwriters—None.

POTOMAC EDISON CO. on April 19 filed a registration statement for 63,784 shares of 4½% preferred stock (par $100).

Details—See issue of April 26.

Offering—The company is offering the 63,784 shares of preferred stock in exchange for the 29,182 shares of 7% and 34,602 shares of 6% preferred stock now outstanding on a share for share basis with a dividend adjustment in each case and $5 in cash for each share of 7% preferred stock exchanged.

Underwriters — The company has retained Alex. Brown & Sons as dealer-manager to aid it in obtaining acceptances of the exchange offer.

PUBLIC SERVICE CO. OF OKLAHOMA on Sept. 20 registered $22,500,000 first mortgage bonds series A, due July 1, 1975 and 98,500 shares of cumulative preferred stock, par $100. Interest rates to be filed by amendment.

Details—See issue of Sept. 27.

Offering—Company proposes to offer to holders of its 5% preferred stock privilege of exchanging holdings for new preferred stock on the share for share basis plus a cash payment representing the difference between the initial offering price of the new preferred and the redemption price of the old preferred. Offering price of bonds and stock will be filed by amendment.

Issues Awarded—Award of bonds was made Oct. 15 to Halsey Stuart & Co. Inc. on bid of 98.7799 for a 2¾% coupon.

Preferred stock awarded to Glore, Forgan & Co. on bid of 102¾ for a 4% dividend rate less compensation of $1.55 a share for effecting exchange for outstanding preferred.

RED BANK OIL CO. on May 31 filed a registration statement for 990,793 shares of common stock (par $1).

Details—See issue of June 7.

Offering—Of the shares registered Bennett & Co., Inc., parent of Red Bank, will receive 209,970 shares in return for a like number of shares loaned to the registrant in connection with the acquisition of 54% of the outstanding stock of Seatex Oil Co., Inc. In addition, 150,000 of the shares registered will be issued to stockholders of Federal Steel Products Corp. in exchange for all of Federal's stock. Bennett & Co., Inc., is the sole underwriter as to an additional 100,000 shares of common registered. The balance of 530,823 shares of stock being registered have heretofore been issued to Bennett & Co., Inc., in exchange for various obligations of the registrant.

Underwriters — Principal underwriter Bennett & Co., Inc., Dallas, Texas.

Stop Order Hearings—Stop order hearings to determine whether the effectiveness of registration statement should be suspended now pending before the SEC.

RHEEM MANUFACTURING CO. on Sept. 26 filed a registration statement for 30,000 shares of 4½% preferred stock, par $100.

Offering—Price to the public will be filed by amendment.

Underwriters—Blyth & Co., Inc., will head the group.

ROBERTS TOWING COMPANY on July 11 filed a registration statement for $500,000 serial 4½% equipment trust certificates.

Details—See issue of July 19.

Offering—The price to the public of the different series ranges from 99 to 102. The average price to the public is given as 100.47.

Underwriters—S. K. Cunningham, Inc., Pittsburgh, and John Nordman Co., St. Louis, Mo.

SANGER BROTHERS, INC. on Sept. 27 filed a registration statement for 22,000 shares 5½% cumulative preferred stock, par $30.

Details—See issue of Oct. 4.

Offering—The offering price is $30.50 per share.

Underwriters—Includes Stifel, Nicolaus & Co., Inc.; Dempsey-Tegeler & Co.; A. G. Edwards & Sons; Rauscher, Pierce & Co.; Reinholdt & Gardner; Prescott, Wright, Snider Co.; Dittman & Co., and Wm. F. Dowdall & Co.

SUN-KRAFT, INC. on August 8 filed a registration statement for 100,000 shares of 30-cent cumulative convertible preferred stock and 200,000 shares of common reserved for conversion of the preferred.

Details—See issue of Aug 16.

Offering—The price to the public is $5 per share. In addition to the 90,000 shares which are to be offered to the public, 10,000 shares of the preferred are to be issued by the company to the estate of Eben D. Norton in exchange for 100,000 shares of common stock owned by the estate. These 100,000 shares of common are to be retired and cancelled.

Underwriters—Floyd D. Cerf Co. is named principal underwriter.

TEXTRON, INC. on Sept. 24 registered 200,000 shares of 5% convertible preferred stock, par $25.

Details—See issue of Sept. 27.

Offering—Offering price to the public, $25.

Underwriters — Blair & Co., Inc. and Maxwell, Marshall & Co.

THE AMERICAN LOCOMOTIVE CO. on Sept. 27 registered 400,000 shares ($1 par) common stock.

Details—See issue of Oct. 4.

Offering—Offering price to be filed by amendment.

Underwriters — Union Securities Corp. named principal underwriter.

THE CENTRAL ARIZONA LIGHT & POWER CO. on Sept. 21 registered 840,000 shares of common stock, no par.

Details—See issue of Sept. 27.

Offering—Price to be filed by amendment.

Underwriters—To be sold by competitive bidding.

THE MONTANA POWER CO. on Sept. 21 registered $40,000,000 first mortgage bonds due 1975.

Details—See issue of Sept. 27.

Bids Invited—Company will receive bids for purchase of bonds at Room 2033, 2 Rector Street, New York, up to 11:30 a.m. (EST) on Oct. 22, the bidder to specify the interest rate.

THE NORTHERN NATURAL GAS CO. on Sept. 24 registered $25,000,000 serial debentures.

Details—See issue of Sept. 27.

Offering — Offering price and interest rate to be filed.

Underwriters—To be sold at competitive bidding.

THE PENNSYLVANIA POWER CO. on Sept. 28 registered $9,793,000 first mortgage bonds, series due 1975, and 42,000 shares 4.25% cumulative preferred stock (par $100). Interest rate on bonds will be filed by amendment.

Details—See issue of Oct. 4.

Offering—Preferred stock to be offered on a share for share basis plus cash dividend adjustment to holders of presently outstanding 42,000 shares of $5 preferred stock. Offering price of bonds will be filed by amendment.

Underwriters—W. H. Newbold's Son & Co. named principal underwriter to obtain acceptances of exchange offer. Bonds to be sold by competitive bidding.

THE UNION ELECTRIC CO. OF MISSOURI on Sept. 21 registered $13,000,000 first mortgage and collateral trust bonds series due 1975 and 40,000 shares of preferred stock.

Details—See issue of Sept. 27.

Bids Invited—Company will receive bids for the purchase of the securities up to 12 noon (EST) on Oct. 22 at Room 1905, 60 Broadway, New York, the interest and dividend rate to be specified in the bids.

VALLEY OSAGE OIL CO. on Aug. 13 filed a registration statement for 143,659 shares of class A stock. Of the shares registered 113,468 are being sold by the registrant and 30,191 shares are issued and outstanding and are being sold on behalf of the Thomas Gilcrease Foundation.

Details—See issue of Aug. 16.

Offering—The price to the public is $12.50 per share.

Underwriters—The underwriter is Gilcrease Oil Co. of Texas, 165 Broadway, New York, N. Y.

VIRGINIA RED LAKE MINES, LTD. on June 24 filed a registration statement for 220,000 shares of capital stock, par $1 (Canadian).

Details—See issue of Aug. 2.

Offering—The offering price to the public is 60½ cents Canadian or 55 cents United States funds.

Underwriters—Willis E. Burnside & Co., New York.

WILSON & CO., INC., on Sept. 10 filed a registration statement for 250,000 shares of cumulative preferred stock and on unspecified number of common shares.

Details—See issue of Sept. 13.

Underwriters—Smith, Barney & Co. and Glore, Forgan & Co. named principal underwriters.

Financing Temporarily Postponed—It was announced Sept. 28 that the proposed financing was temporarily postponed.

A Program of Tax Revision

(Continued from page 1861)

taxing of capital gains, intercompany dividends, tax-free interest, etc. at rates greater than otherwise provided.

6. Amendments should be made in the reorganization provisions.

7. The foreign tax credit provisions should be improved.

8. Congress should adopt legislation which would invalidate Treasury Decisions 5340 and 5341, which, in effect, prohibit a corporation allocating any if its excess profits credit to a company acquired subsequent to March 14, 1941.

9. The term "mineral properties" should be defined.

10. There should be certainty that all losses on condemnation are allowable.

11. There should be provision for extension of the statute of limitations for refunds based on the carry-backs in the event that there is official determination that this subject is not presently clearly covered in the Tax Adjustment Act of 1945.

12. Clarification of the provisions relating to the tax effects of stock options should be made.

13. There should be clarification of Section 112 (f) relating to involuntary conversions to make certain that anticipatory replacements are included.

14. In connection with the study of depreciation there should be consideration of the Virginian Hotels Cases, i. e., prevention of basis adjustments on account of depreciation not benefically deducted.

15. Expenses incurred in antitrust, O. P. A. and other like suits should be permissible deductions.

16. There should be modification of Section 129 or a clarifying statement by a congressional committee to establish certainty that it will not be applied to the organization of western hemisphere trade corporations and similar corporations exempt from excess profits tax under Section 727 (g).

17. Integration should be effected in the audit of income and excess profits taxes and the settlement of both these taxes.

18. There should be determination as to the need for modification of the tax benefit ruling on recovery of real property taxes so as to limit the tax on such recoveries to the tax actually saved on the previous deduction as in the case of the recovery of unconstitutional taxes.

19. There should be clarification of the provisions regarding life insurance to make certain that life insurance is not includible unless incidence of ownership exists at death; reversionary interest should not be treated as incidence of ownership; the basis of property, acquired by gift but subject to estate tax, should be made the same as in the case of property passing by death and not previously made the subject of a gift; the credit for gift taxes previously paid on property transferred **inter vivos** should be determined by applying to the gift property the highest gift tax brackets of the decedent rather than the average gift tax rate prevailing in the year or years of the gift; estate tax on remainders to charity subject to power of invasion of principal, etc., should be determined by the ultimate event; other aspects of reversionary interests need attention.

20. Allow as deductions expenses of preparing individual income tax returns and prosecuting or defending tax cases and obtaining advice in tax matters.

Members of the Committee on Taxation and Public Revenue of the Commerce and Industry Association are:

Laurence Arnold Tanzer, Chairman, Tanzer & Mullaney; George E. Cleary, Root, Clark, Buckner & Ballantine; Edwards L. Cleaveland, Socony-Vacuum Oil Company, Inc.; H. B. Fernald, Loomis, Suffern & Fernald; Charles W. Gerstenberg, Chairman of Board, Prentice-Hall, Inc.; Laurence Graves; George Lange, Assistant Secretary, Consolidated Edison Co. of New York, Inc.; Godfrey N. Nelson; J. W. Oliver, Comptroller-Secretary, The Linen Thread Company, Inc.; Paul L. Peyton, Breed, Abbott & Morgan; C. W. Rivoire, W. T. Grant Company; Martin Saxe, Saxe, Cole and Anderson; Walter A. Staub, Lybrand, Ross Bros. & Montgomery; Thomas N. Tarleau, Willkie Owen Otis Farr & Gallagher; O. A. Taylor, Vice-President, S. H. Kress & Company; Wilmer D. Zirkle, Zirkle, Breden & Company.

Corporate Financing Lower Than in Last War

Federal Reserve Bank of N. Y. Ascribes Decline to Direct Financing Help of Federal Government.

In the September issue of the Monthly Review on Credit and Business Conditions, issued by the Federal Reserve Bank of New York, there is an analysis of corporate financing during the war and a comparison with the period during World War I.

"During the war," states the Review, "the volume of corporate financing in the capital market was subject to wide fluctuations. The outbreak of war in 1939 was not followed by any sharp expansion in the volume of new corporate issues; despite a substantial increase in industrial activity stimulated by defense preparations, the volume of capital financing increased only about 25% from 1939 to 1940 and remained unchanged in 1941. The entrance of the United States into the war was followed by a decline in new issues in 1942 to a level 60% below that of the preceding two years, as Government financing expanded and the sale of corporate issues for expansion of peacetime activities and refunding purposes contracted. A gradual rise in corporate security offerings ensued in 1943 and gathered momentum in 1944 and 1945.

"In the three years, 1942-44, the volume of railroad and public utility financing for improvements and expansion declined by about 65% from the volume of the preceding three years, while that of industrial corporations increased more than 50%. Wartime restrictions on the availability of materials and labor reduced the expenditures of railroad and utility companies for such purposes to a point where they could be met in large part from high current earnings, whereas restrictions on construction and equipment fell less heavily upon industrial concerns which were directly engaged in the war effort. Nevertheless, the major part of the increase in new capital raised by industrial companies went to meet added working capital needs rather than new plant and equipment.

"In spite of the unprecedented expansion in industrial capacity and business activity during the war, the volume of security issues to finance plant expansion and to supply working capital showed no such increase as occurred during the first World War, and in no year equaled the last peacetime peak of about one billion dollars reached in 1937.

"The reason for this seeming anomaly is the direct financing by the Federal Government of a large part of the war industrial facilities built (or building) between July 1, 1940, and the end of the war. Private enterprise, nevertheless, invested substantial amounts of its own funds in war (and war-supporting) facilities. Offerings of new corporate securities for the purpose of adding to plant and equipment, however, amounted to only 2 billion dollars. The major part of the expansion, together with enlarged working capital needs, was evidently financed from other sources, including depreciation allowances, Government-guaranteed war production loans, Government progress payments and advances on war contracts, and the temporary use of funds accumulated for tax payments.

"An entirely different policy was pursued in financing industrial expansion during World War I when the bulk of the capital expenditures were made with private funds obtained in large part from the capital market. Thus, in order to satisfy the requirements of a far smaller program, domestic corporations floated an average of 1.6 billion dollars of new securities each year from 1914 through 1918 (according to figures compiled by the New York "Journal of Commerce"), as compared with an average of about 1.5 billion a year from 1939 through 1944, and the proportion for new capital investment was probably much greater in the earlier period. Although information concerning the distribution of the new issues between new capital and refunding is not available for the World War I period, in view of the rising trend of interest rates during those years it is probable that a major part of the new issues represented new capital in the strict sense. On the other hand, about three quarters of the value of new corporate securities issued from 1939 through 1944 were refunding issues.

"The predominance of refunding issues during the war points to an even more striking anomaly, declining interest rates in wartime. Unprecedentedly heavy Government demands upon the capital market were financed at record low interest rates and yields on corporate obligations declined further. As a result corporate issues were able to achieve substantial savings in fixed charges by refunding outstanding securities with new issues bearing lower coupons, a tendency which spread into preferred stocks on a growing scale in recent years. In many instances, corporations supplemented the proceeds of the sales of new securities with their own cash resources (which were augmented by increased earnings and conservative dividend payments) to pay off outstanding issues. Redemptions of security issues in excess of new offerings, together with open market purchases of outstanding obligations, resulted in a net reduction of about 2 billion dollars, or 5%, in corporate long term debt between the end of 1939 and 1944."

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INDEX

Page
Bank and Insurance Stocks........1847
Broker-Dealer Personnel Items.....1839
Business Man's Bookshelf..........1832
Calendar of New Security Flotations.1862
Canadian Securities...............1853
Dealer-Broker Investment Recommendations and Literature.......1826
Municipal News and Notes.........1855
Mutual Funds.....................1840
Our Reporter's Report.............1847
Our Reporter on Governments......1843
Public Utility Securities..........1822
Railroad Securities...............1850
Real Estate Securities.............1824
Securities Salesman's Corner........1844
Tomorrow's Markets—Walter Whyte Says..........1857

Michigan and Connecticut Securities Sections on page 1828; Missouri on 1829.

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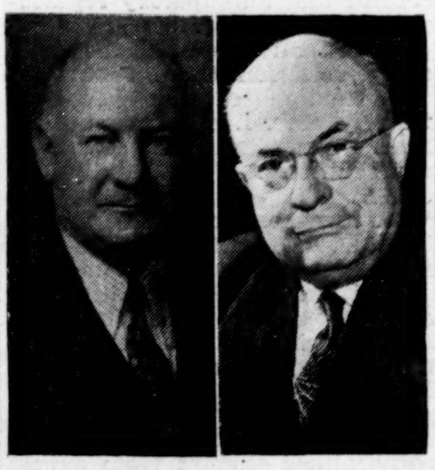
Frazer Discloses Latest Plans

Vast Dealer Organization Ready to Invest $100,000,000 for Merchandising Frazer and Kaiser Automobiles. First Cars to Come Off Willow Run Before Year End.

Joseph W. Frazer, automotive manufacturer, speaking before the Financial Writers Association of New York Tuesday night, disclosed that his companies' distributors and dealers are about to invest approximately $100,000,000 in establishments and equipment to merchandise the Kaiser and Frazer automobiles. The organization will embrace 200 distributors and 3,000 dealers. Mr. Frazer explained that every dealer has a sizable amount of money ready for the improvement of his showroom and service facilities.


Joseph W. Frazer Henry J. Kaiser

Frazer cars will begin to come off the Willow Run production lines late this winter, and the Kaiser automobile will follow several weeks later, Mr. Frazer predicted. Full production on both cars will be attained in mid-summer. The entire Willow Run plant, he said, will be utilized for the production of the new Frazer car, a new tractor, the Rotoller by Graham-Paige, and the Kaiser by Kaiser-Frazer.

Mr. Frazer emphasized that the new Frazer and Kaiser automobiles would be completely new from the ground up and would not be redesigned copies of 1942 models.

Kansas City Southern Bonds Now on Sale

A banking group headed jointly by Kuhn, Loeb & Co., Ladenburg, Thalmann & Co., and Blyth & Co., Inc., were awarded a new issue of $40,000,000 first mortgage 30-year 4% bonds, series A, of the Kansas City Southern Railway Co. on a bid of 98¾%. The bonds are being reoffered publicly at 100% and accrued interest. Issuance and sale of these securities is subject to the approval of the Interstate Commerce Commission.

Proceeds from the sale of the series A bonds and $6,000,000 of promissory notes will be used to reimburse the company, in part, for expenditures in connection with the redemption on July 1, 1945, of $13,878,000 principal amount of refunding and improvement mortgage 5% bonds; to retire $26,472,000 principal amount of first mortgage 3% bonds due April 1, 1950; to redeem $6,983,000 principal amount of first mortgage 5½% bonds, series A, of Texarkana and Fort Smith Railway Co. due Aug. 1, 1950; to redeem $1,114,000 principal amount of secured serial 3% notes; and to to redeem $7,700,000 principal amount of 2½% promissory notes.

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The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 162 Number 4430 New York, N. Y., Thursday, October 18, 1945 Price 60 Cents a Copy

The Financial Situation

There are many sections of the masterly report of General Marshall issued last week which the American people could and doubtless will read with great interest. There are certain sections which thoughtful citizens must not fail to study with great care. The full meaning and significance of some of these will be grasped only when read in conjunction with what appears to be most surprisingly widespread, if novel, notions about our due part, even our inevitable part, in world affairs from this time forward.

From one of these latter we quote:

> In another national emergency the existence of a substantial portion of the Nation's young manpower already trained or in process of training, would make it possible to fill out immediately the peacetime ranks of the Navy, the Regular Army, the National Guard, and the organized reserve. As a result our Armed Forces would be ready for almost immediate deployment to counter initial hostile moves, ready to prevent an enemy from gaining footholds from which he could launch destructive attacks against our industries and our homes. By this method we would establish, for the generations to come, a national military policy: (1) which is entirely within the financial capabilities of our peacetime economy and is absolutely democratic in its nature, and (2) which places the military world and therefore the political world on notice that this vast power, linked to our tremendous resources, wealth, and production, is immediately available. There can be no question that all the nations of the world will respect our views accordingly, creating at least a probability of peace on earth and of good will among men rather than disaster upon disaster in a tormented world where the very processes of civilization itself are constantly threatened. . . .
>
> The timing of our decision on the question of universal military training is urgent. The officials of the State Department have been strongly of the opinion that a decision in this matter prior to the final peace negotiations would greatly strengthen the hand of the United States in securing acceptance of a genuine organization to handle international differences.

The fact that this report appeared so shortly after the failure of the meeting of the Council of Foreign Ministers in

(Continued on page 1868)

Krug Foresees Civilian Production At Double the Prewar Volume

WPB Chairman Tells of War Times Achievements and Says Government and Industry Working Together Are Doing a Fine Job, and Much Is Due to Their Joint Planning Before V-J Day

The War Production Board, scheduled to go out of existence Nov. 3, held its 100th and final meeting on Oct. 9, at which its Chairman, Mr. J. A. Krug, presented a complete review, entitled "Wartime Achievements and the Reconversion Outlook," of the vast effort which resulted in making this country the "arsenal of democracy" with the huge production necessary to bringing World War II to a successful conclusion.

J. A. Krug

The report it is noted brought to light much information heretofore held confidential of the nation's war production activities and included a statement of the board's effort to bring industry through the transition from war to peacetime manufacturing.

Estimating that monthly production for civilian use could reach more than $1,253,857,000 by next June, according to a Washington report to the "Wall Street Journal," Mr. Krug deplored the unsettled conditions existing between labor and management and warned that if continued they could result in a breakdown in the otherwise excellent prospects for high production.

The following are the highlights of Mr. Krug's report concerning the nation's munitions record for five years, as reported by the Associated Press from Washington:

> The grand total of war materials produced from July, 1940, through July, 1945, was valued at $186,000,000,000. This included:
>
> A fleet of 297,000 military airplanes, of which 97,000 were bombers.
>
> 76,485 ships—including 64,500 landing craft, 6,500 other Navy ships and 5,425 cargo vessels.
>
> 17,400,000 rifles, carbines and sidearms; 315,000 pieces of field artillery and mortars; 165,525 naval guns.
>
> 41,400,000,000 rounds of small arms ammunition; 4,200,000 tons of artillery shells.

(Continued on page 1874)

Here and There

By A. WILFRED MAY

The growing degree of inflation in government borrowing is exemplified in the Treasury Department's War Finance Committee results. This is seen in both current and anticipated bond sales to individuals—the anti-inflationary type of financing. Sales of the Series E issue—"the people's bond"—during the last half of September (the most recent tabulated period) fell to 60% of recent volumes. Moreover, the Treasury does not regard this situation as temporary, as for the forthcoming Eighth Loan Drive it has set the national quota at only $2 billion, which is but one-half the quota in the last Loan, and lower than in any previous Loan. Similarly, the quota for sales of all issues to individual buyers is set at only $4 billion; contrasted with a quota of $7 billion and actual sales of $8.7 billion in the last Loan. The quota for sales to banks, corporations and other "non-individuals"—largely representing portfolio-shifting, tax-anticipation mechanics, and inflationary bank buying—at $7 billion equals the equivalent quota in the previous Loan.

Reconversion has of course supplanted war, but the defeatism in promoting Bond Sales to the individual buyer must be contrasted with current department store sales at record highs; the spending of our huge private savings on movies, food and luxuries; and with savings deposits at unprecedented levels. The decline in Bond buying results largely from the previous overemphasis of the patriotic in lieu of the self-interest motive; from the unattractiveness of the interest rate to substantial investors; and from growing public fear of inflation.

* * *

It is generally appreciated that imminent tax reductions must

(Continued on page 1873)

GENERAL CONTENTS

Editorial

Page
Financial Situation..........1865

Regular Features

From Washington Ahead of the News..........1865
Here and There..........1835
Moody's Bond Prices and Yields..........1875
Items About Banks and Trust Cos..........1880
Trading on New York Exchanges..........1877
NYSE Odd-Lot Trading..........1877

State of Trade

General Review..........1867
Commodity Prices, Domestic Index..........1877
Weekly Carloadings..........1879
Weekly Engineering Construction..........1878
Paperboard Industry Statistics..........1879
Weekly Lumber Movement..........1879
Fertilizer Association Price Index..........1876
Weekly Coal and Coke Output..........1876
Weekly Steel Review..........1875
Moody's Daily Commodity Index..........1875
Weekly Crude Oil Production..........1873
Non-Ferrous Metals Market..........1878
Weekly Electric Output..........1876
SEC Reports on Corporations' Working Capital in First Quarter of 1945..........1859
Agricultural Crop Report as of Oct. 1..........1872

President Dedicates New TVA Dam in Kentucky

In Formal Address at Gilbertsville, Ky., He Supports TVA, Calling It "Just Plain Common Sense" and Saying That "the Valleys of America Await Their Full Development." Speaking Extemporaneously, He Blames "Our Little Troubles" on a Few Selfish Men and Asks That "Foolishness Be Cut Out." Urges Selling Speed-Up.

Dedication on Oct. 10 of the Tennessee Valley Authority's new Kentucky Dam at Gilbertsville, Ky., gave President Truman opportunity to voice once again his belief in the policy of harnessing America's big rivers for power. Calling TVA "just plain common sense," according to the Associated Press report, he added that "the valleys of America await their full development. The time has come—now that materials and man power are more plentful—to press forward." In advance of his address, the Associated Press stated that the President told reporters that he had not retreated one step from his advocacy of a chain of regional "TVA's," as had been proposed by President Roosevelt and which he indorsed in a speech at New Orleans last year.

President Truman

The TVA is operated by a three-member board of directors responsible directly to the President and Congress under an independent agency status, the Associated Press pointed out. It sells electricity directly to municipalities, rural cooperatives and other agencies as well as to aluminum and defense plants.

The President recalled the controversies that attended the TVA's creation and declared it "is no longer an experiment, but a demonstration" of which "all except a small minority" regard as "a great American accomplishment."

Kentucky Dam is the sixteenth TVA dam to be completed, and No. 10 on the original 10-dam program that was expanded with the advent of war to supply needed power.

The text of President Truman's address at the dedication ceremony, as reported from Gilbertsville, Ky., October 10, by the Associated Press was as follows:

Nine years ago the first dam of the Tennessee Valley Authority—

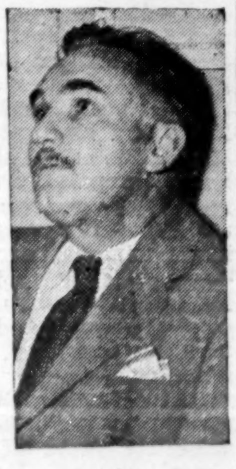
(Continued on page 1870)

From Washington Ahead of the News

By CARLISLE BARGERON

There are a lot of opportunities for so-called Big and Strong men these days outside of Washington, the first time this situation has obtained since Franklin Delano Roosevelt, as his worshipers used mouthfully to say. The State governor has a chance to attract attention, so does the local mayor. But the indications are that they are being slow to move up to it.

This is natural. The country has been browbeaten, and our local officials have been subjegated for so long, that it is going to be almost as difficult to get us back into the norms of democracy, as it is to teach it to the Japs and the Germans. Without saying so, Mr. Truman is doing everything he possibly can to get us back to local Government and the responsibility of local officials. He is traveling all around the country and being just as modest as he can be. He is going around attending State fairs, taking drinks with Democratic cronies, signing autographs, and in general showing, or trying to show, that the Presidency is not the important job which in recent years it has been made to seem to be. He has been trying to show by might and main, and an unusually good stomach, that it is up to the American people to run their Government, if they are capable of it.



Carlisle Bargeron

The reaction has not been so satisfactory. We have not been recently out in the country ourselves but our reports are that people, having been introduced into the strong leadership principle, are impatient that he should do something about the strikes. Just what he should do is another question. Should he show a strong hand as the late great Roosevelt did and resolve these matters in favor of the strikers? Or should he turn the Federal armed might against them?

He is obviously trying to show by his actions and deeds that people have got to quit coming to Washington for the solution of all their problems. He is trying to say to them that their governors and mayors should have some efficiency. When and if this attitude is realized it will be amazing how quickly these problems will

(Continued on page 1870)

Marshall Urges Universal Military Training

Chief of Staff of Army States "Only by Universal Military Training Can Full Vigor and Life Be Instilled Into the Reserve System." Denies It Is a Danger to Democracy. Also Urges Scientific Research for Mass Production of War Materiel.

Gen. Geo. C. Marshall

General George C. Marshall, Chief of Staff of the Army, in his Biennial Report covering the operations of the war, released on Oct. 10, advocated universal training for a citizens army as a basis for military preparedness and a means of maintaining world peace and keeping a brake on aggression. He also urged a program of scientific research "for the development of expeditious methods for mass production of war materiel" and concludes that "serious thought and planning along this line can save millions of tax dollars." In the concluding section of his report relating to preparedness and military training, General Marshall said:

The fourth and probably the most important mission of the Regular Army is to provide the knowledge, the expert personnel, and the installations for training the citizen-soldier upon whom, in my view, the future peace of the world largely depends.

Of the citizen Army, the National Guard is in the first category of importance. It must be healthy and strong, ready to take its place in the first line of defense in the first weeks of an emergency, and not dependent upon a year or more of training before it can be conditioned to take the field against a trained enemy. It is not feasible under the conditions of peace for the National Guard within itself to provide the basic, the fundamental training which is an imperative requirement for its mission. Therefore, in my opinion, based on a long and intimate experience with the Guard from 1907 until 1941, the essential requirement for such a system under modern conditions is universal military training from which to draw the volunteers for the ranks of the Guard. Without such a firm foundation, I am clearly of the opinion that a sufficiently dependable force for our post-war needs cannot be maintained.

An Organized Reserve

The second important component of the citizen Army is the organized reserve through which full mobilization of the Nation's resources to war footing is accomplished. At the start of the present war, the reserve was almost entirely an officer corps, the regimental and divisional groups lacking a practical basis for mobilization. The contribution of this component was therefore largely one of individuals, but of wide extent and great importance. The depleted officer ranks of the Regular Army were filled by the reserve, the countless new staffs and organizations were mainly composed of reserve officers, the great training camps for men inducted through the Selective Service System drew in the beginning on the officer strength of the Reserve Corps. The Officer Candidate Schools from which our present Army acquired its vital small unit leadership were staffed by reserve officers. These officers were largely veterans of World War I and graduates of the Reserve Officers' Training Corps. Pitifully small appropriations had limited training to a brief period once in every 3 or 4 years and so few numbers of troops that the limited training the reserve officers received had little relation to actual battle.

This lack of troops with which reserve officers could acquire practical experience in command and staff work was the most critical limitation. There was no enlisted strength in the reserve force. There was little connection and understanding between the Officers' Reserve Corps and the National Guard—which had an enlisted strength—and the number of enlisted men in the Regular Army was so small that it was impossible to qualify reserve officers by training with Regulars. Especially in the dense centers of population there were few Regular troops. Yet here were located the largest groups of reserve officers. Even had funds for transportation to the areas where Regular troops were stationed been available, and they were not, the few troops on the Regular rolls would have been completely submerged under a deluge of reserve officers. For example, the strength of the Officers' Reserve Corps in 1938 was more than double the number of Regular soldiers in combat units in the continental United States.

Reserve System Requires Universal Training

Only by universal military training can full vigor and life be instilled into the reserve system. It creates a pool of well-trained men and officers from which the National Guard and the Organized Reserve can draw volunteers; it provides opportunities for the Guard and reserve units to participate in corps and Army maneuvers, which are vital preparations to success in military campaigns. Without these trained men and officers, without such opportunities to develop skill through actual practice in realistic maneuvers, neither the Regular Army, the National Guard, nor the reserve can hope to bring high efficiency to their vital missions.

Though ROTC graduates composed 12% of the war officers, its most important contribution was the immediate availability of its product. Just what we could have done in the first phases of our mobilization and training without these men, I do not know. I do know that our plans would have had to be greatly curtailed and the cessation of hostilities on the European front would have been delayed accordingly. We must enlarge and strengthen the system. It must be established on a higher level, comparable to the academic levels of college education in which the young men of the ROTC are engaged. All this is made easily possible if the student has participated in universal military training, and at the same time the length of the course can be shortened by one year. He would enter the ROTC as far advanced as his predecessors were after 2½ years of the original 3 years' course. He would have completed his elementary training—the military equivalent of his grammar school and high school courses—and would be prepared for college work, that is for training as an officer, a prospective leader of men. The product of such an ROTC would provide the National Guard and the organized reserve with an officer corps of exceptional character.

An unbroken period of one year's training appears essential to the success of a sound security plan based on the concept of a citizen army.

It is possible to train individual soldiers as replacements for veteran divisions and air groups as we now do in a comparatively short period of time. The training of the unit itself cannot be accomplished at best in less than a year; air units require even more time. The principle is identical to that of coaching a football team. A halfback can learn quickly how to run with the ball, but it takes time and much practice and long hours of team scrimmage before he is proficient at carrying the ball through an opposing team, utilizing the aid of the ten other men on the team. So it is with an army division or combat air group. Men learn to fire a rifle or machine gun quickly, but it takes long hours of scrimmage, which the army calls maneuver, before the firing of the rifle is coordinated with the activities of more than 14,000 other men on the team.

All men who might some day have to fight for their Nation must have this team training. The seasoned soldiers of our present superb divisions will have lived beyond the age of military usefulness. The situation will be similar in the peacetime army to that which obtained when we began to mobilize for this war and all men had to have at least a year of unit training before we had divisions even fit for shipment overseas.

The training program would be according to the standards which have made the American soldier in this war the equal of the finest fighting men. It would be kept abreast of technical developments and the resulting modifications of tactics.

Throughout the training a strenuous program of instruction would have to be followed, but it would not be possible in peace to carry on the work under the tremendous pressure we now follow in wartime. Athletics, recreational opportunities, short weekends, and other vacational opportunities such as at Christmas time, would, of course, be necessary. However, if the Government is to be justified in the expenditure of the funds involved, a vigorous schedule should be enforced; otherwise we would produce a half-baked product which would fail to command the respectful attention of the nations of the world, and therefore negate the primary purpose of the entire system.

To those who fear the Army might militarize our young men and indoctrinate them with dangerous conceptions, to those who express doubts of the Army's capacity to do the job, I submit the evidence of our present armies. The troops have been trained sufficiently to defeat a first-class enemy. Their minds have not been warped—quite the contrary. The American people are satisfied, I am confident, that their Armies are, in fact, armies of democracy. They know that the men composing those Armies are far better physically than they otherwise would have been, that their general health has been better than at home, except for those serving in the tropical jungles. The officers who trained our Armies were largely citizen-soldiers. They did have the initial guidance of Regular officers, but only 2% of the entire officer corps was professional. Only slightly more were of the National Guard; 25% were products of the Officers' Reserve Corps, 12% more were men commissioned direct from civil life because of certain professional qualifications. The great majority of the officers came up from the ranks, 59% of the total, which guaranteed the democracy of the Army.

No Imposition on Democracy

To those who consider the introduction of a system of universal military training an imposition on democracy, I would reply that in my opinion it would be the most democratic expression of our national life. Whatever my limitations may be in judging this matter, I submit the evidence of the proposal of our first President.

Washington's program provided for universal training of all men arriving at the age of 17. The citizen-militia was to be divided into three classes, men from 17 to 21, known as the advance corps, men 21 to 46, known as the main corps, and men from 46 to 61, known as the reserve corps. All of the peacetime training would have been concentrated in the advance corps, but eventually all members of main and reserve corps would have been graduates of the training program. The militia bill was first introduced in the Third Session of the First Congress. It was considered in the House on 5 March, 1792, and as finally enacted contained no element of any of Washington's recommendations. It was so emasculated when finally adopted that the representative who introduced the bill himself voted against its passage.

It appears probable that had the bill been approved by Congress, the United States might have avoided much of the war making that has filled its brief history. The impressment of American seamen would not have been regarded as a harmless pastime in the early 1800's, nor would the Kaiser have been so easily disposed to avenge the death of the Archduke Franz Ferdinand in 1914 with a world war, nor Adolf Hitler have been quite so quick to break the peace, if over these years the United States had been recognized by the war mongers as a nation immediately to be reckoned with.

Ample Weapons Necessary

The peacetime army must not only be prepared for immediate mobilization of an effective war army, but it must have in reserve the weapons needed for the first months of the fighting and clear-cut plans for immediately producing the tremendous additional quantities of materiel necessary in total war. We must never again face a great national crisis with ammunition lacking to serve our guns, few guns to fire, and no decisive procedures for procuring vital arms in sufficient quantities.

The necessity for continuous research into the military ramifications of man's scientific advance is now clear to all and it should not be too difficult to obtain the necessary appropriations for this purpose during peacetime. There is, however, always much reluctance to expenditure of funds for improvement of war-making instruments, particularly where there is no peacetime usefulness in the product.

The development of combat airplanes is closely allied with development of civil aeronautics; the prototypes of many of our present transport planes and those soon to come were originally bombers. Many of the aeronautical principles that helped give this nation the greatest air force in the world grew out of commercial development and our production know-how at the start of this war was partially the fruit of peacetime commercial enterprise. Since many vital types of weapons have no commercial counterpart, the peacetime development of these weapons has been grossly neglected. Anti-aircraft weapons are a good example. The highly efficient anti-aircraft of today did not materialize until long after the fighting began. The consequent cost in time, life, and money of this failure to spend the necessary sums on such activity in peacetime has been appalling.

There is another phase of scientific research which I think has been somewhat ignored—the development of expeditious methods for the mass production of war materiel. This is of great importance since it determines how quickly we can mobilize our resources if war comes and how large and costly our reserve stocks of war materiel must be. Serious thought and planning along this line can save millions of tax dollars.

Industrial Mobilization

We can be certain that the next war, if there is one, will be even more total than this one. The nature of war is such that once it now begins it can end only as this one is ending, in the destruction of the vanquished, and it should be assumed that another reconversion from peace to war production will take place initially under enemy distant bombardment. Industrial mobilization plans must be founded on these assumptions and so organized that they will meet them and any other situation that many develop. Yet they must in no way retard or inhibit the course of peacetime production.

If this nation is to remain great it must bear in mind now and in the future that war is not the choice of those who wish passionately for peace. It is the choice of those who are willing to resort to violence for political advantage. We can fortify ourselves against disaster, I am convinced, by the measures I have here outlined. In these protections we can face the future with a reasonable hope for the best and with quiet assurance that even though the worst may come, we are prepared for it.

As President Washington said in his mesage to Congress of 3 December, 1793:

I cannot recommend to your notice measures for the fulfillment of our duties to the rest of the world, without again pressing upon you the necessity of placing ourselves in a position of complete defense, and of exacting from them the fulfillment of the duties towards us. The United States ought not to indulge a persuasion, that contrary to the order of human efforts, they will forever keep at a distance those painful appeals to arms, with which the history of every other nation abounds. There is a rank due to the United States among nations, which will be withheld, if not absolutely lost, by the reputation of weakness—if we desire to avoid insult we must be ready to repel it; if we desire to secure peace, one of the most powerful institutions of our rising prosperity, it must be known that we are at all times ready for war.

Gas Sales Gain in August

Sales of the gas utility industry in August, 1945, were estimated to be 1,788,618,500 therms, according to the American Gas Association, representing a 2.5% increase over sales totaling 1,745,643,000 therms in August, 1944. The Association's statement continues:

Sales in the 12 months ending Aug. 31, 1945, were 25,599,753,500 therms, a gain of 4.5% over the volume of sales in the corresponding period ending August, 1944.

A therm is a unit of measurement of gas supply which takes into account variations in heating value. One therm is roughly equivalent to 170 cubic feet of manufactured and mixed gas and to 100 cubic feet of natural gas.

Sales of manufactured and mixed gas in August totaled 189,893,900 therms, or an increase of 0.8% over sales of 188,317,200 therms in August, 1944. In the 12-month period ending Aug. 31, 1945, sales of the manufactured and mixed branch of the industry were up 3.6%, increasing from 2,858,249,400 therms in the period ending a year ago to 2,962,470,500 therms in the same period ending in the current year.

August sales of natural gas were estimated at 1,598,724,600 therms, an increase of 2.7% over the level of sales in August, 1944. In the 12 months ending Aug. 31, 1945, natural gas sales were approximately 22,637,283,000 therms, as compared with 21,646,752,000 therms in the same period ending 1944. This is equivalent to a 4.6% increase.

It Needed to Be Said!

"The war has temporarily injured something in our ideals of justice. Our righteous indignations at the crimes which brought this war and the brutalities of the enemy have clouded our vision of justice.

Herbert Hoover

"Justice demands that the men responsible for this must be punished. It requires that the military castes and their weapons be destroyed and be kept destroyed.

"But justice also requires that we do not visit on the children of millions of Germans and Japanese the sins of their fathers. Nor can we justly indict and punish 200,000,000 people. Vengeance and revenge are not justice.

* * *

"Measures which reduce the economic life of coming generations to the low levels of an agricultural state are neither justice nor good policy. That will create gigantic cesspools of hate, poverty and conspiracy against the world. There is no such thing as a 'hard peace' or a 'soft peace.' It must be a just peace if we are to restore justice in the world. And without justice there is no peace."—Herbert Hoover.

The American people have long needed to be reminded of these simple truths—reminded of them by some one whose voice will be heeded.

We—and the world—will be well served if this warning is taken carefully to heart before it is too late.

Liberal Policy In Approving "Bonuses" to Key Employes Enunciated By U. S. Tax Court

Enunciation by the United States Tax Court of a highly liberal policy in approving "bonuses" to key employes, was indicated in advices to the New York "Journal of Commerce" from its Washington bureau on Oct. 9, which stated that this thereby overthrows a decision by the Internal Revenue Commissioner that bonus payments exceeding the amount of the basic salary should be disallowed as "excessive compensation." It was noted in the "Journal of Commerce" advices that following an industry practice of compensating key employes by basic pay plus additional compensation when their services result in producing increased profits, Draper & Co., one of the largest buyers and sellers of raw wools in the United States, paid six key men basic salaries of $92,700, total bonuses of $312,500, and, in addition, paid insurance companies for the benefit of five of the six men total premiums on annuity contracts amounting to $83,244. The special advices to the "Journal of Commerce" went on to say:

While described as a "very successful" company in the Tax Court decision, the company had had losses for two years when, in 1939, it established a mathematical formula for the payment of a percentage of its profits to the executives involved in contributing to future earnings.

Under the formula for computing the amount of the contingent compensation, an allowance was made for the deduction of 6% of the company's net worth as a return on capital. After this allowance had been excluded, the amount of earnings to be divided among the employes was determined. Under the formula, 55% of net profits would be paid to the key executives in varying percentages for each of them.

While some of the executives were stockholders, the percentage of their share in the profits, as fixed under the formula, bore no relation to the amount of their shareholdings.

The Internal Revenue Commissioner disallowed $303,044 of the additional compensation paid to the executives as "excessive compensation"; it disallowed also a deduction for advance premium deposits made to the insurance companies in connection with the annuity contracts.

The Tax Court described at length the nature of the wool buying and selling business, the widely ramifying operations of the company throughout the world, the highly competitive nature of the business and the dependence of the company's earnings on the skill and endeavors of its key executives.

The Court rejected the theory ot the revenue commissioner that the company was not entitled to deduct the payments to the executives in accordance with the 1939 formula and the general industry practice.

This formula was adopted prior to the taxable year in an arms-length transaction and was intended as the establishment of a sound, practical and reasonable basis of compensation for personal services actually rendered," the Court said. The payments "were never intended as a guise for something else" and although some of the men were stockholders the payments bore no relation to their stock ownership.

The Court took the position that the payments were reasonable when viewed in the light of commissions customarily paid for buying and selling wool, in the light of the nature of the company's business and the quality of the services rendered, together with the history of the company's earnings over a period of years.

Although the Court upheld the total bonuses paid the employes, plus the basic salaries as legitimate deductions, it drew the line in the case of the advance preminum payments on the ground that they did not have to be made at that time and therefore were not "necessary." They were not, however, disallowed as "excessive."

George Views 1946 Tax Cut as "Starter"

Terming the $5,000,000-plus tax cut planned for next year as just a starter, Senator Walter F. George, Democrat, of Georgia, told reporters on Oct. 13 that "certainly in 1947 and 1948 taxes will be considerably lower, although they still will be high when judged by pre-war standards."

In advance of the hearings which opened on Oct. 15 for the Senate Finance Committee Senator George, Committee Chairman figured that the bill, which passed the House Oct. 11 could be sent to the White House by early November. That will give the Internal Revenue Bureau time to send out new withholding tables and forms which probably will mean savings of 10% or more to each individual taxpayer. The Associated Press Washington advices Oct. 13 added:

Almost immediately after the stop-gap war-end bill is out of the way, Senator George predicts Congress will buckle down to drafting a comprehensive revenue plan for peacetime.

That bill, he forecast, will give greater relief to all taxpayers.

"Individual rates are entirely too high, and should and must be cut," he said.

He still maintained, however, it would be better to trim all taxes materially than to cancel entirely the income tax paying of 12,000,000 individuals, as would be done under the House program. He conceded that "inevitably" some of the lowest bracket taxpayers would be swept off the rolls under almost any reduction plan that could be devised.

Senator George did not go into details of how taxes could be reduced without granting wholesale exemptions. In fact, he said, the committee may decide to accept the House plan, keeping in mind that Congress will go to work very shortly on a comprehensive tax equalization program.

Senator George, who wields tremendous influence on Congressional tax policies, made it known he is still considering outright repeal of the excess-profits tax on corporations effective next Jan. 1. The House bill would cut the effective rate of the levy from 85.5 to 60% next year.

Senator George declared elimination of the excess-profits tax would give no greater monetary relief to corporations than the changes in the House bill, which include reduction of the combined normal and surtax rate from 40 to 36%.

If the Senate should decide to repeal the excess profits levy, Senator George favors keeping the normal and surtax rate at 40% next year.

The finance Committee chairman indicated that the House decision to reduce certain war-time luxury taxes to their pre-war levels is stirring manufacturers of other taxed items to demand reductions. Photographic supplies and pipe organ interests have asked relief, even though their taxes did not go up in 1943 when the taxes were increased on liquor, furs, jewelry, luggage and other items.

Senators appeared ready to take two House provisions with no questions asked. Those would knock out the $5 automobile use tax and freeze Social Security taxes another year at the present rate of 1% each on employers and employees. Without such a freeze the rate would go up to 2½% Jan. 1.

Living Costs Drop in 42 of 63 Industrial Cities in Aug.

Living costs of wage earners and lower-salaried clerical workers dropped during August in 42 of 63 industrial cities surveyed each month, the National Industrial Conference Board announced on Oct. 2. Increased costs were shown in 15 cities while six cities recorded no change. The largest decrease was registered in Detroit, with a drop of 1.4% for the month. Trenton, N. J., followed with a dip of 0.9%, while in Buffalo, N. Y. living costs were down 0.8%, and in New Haven, Conn., off 0.7%. The largest increase was recorded in Birmingham, Ala., with a rise of 0.5%. Rochester, N.Y., and Macon, Ga., showed a rise of 0.4% each.

The State of Trade

The trend of industrial production for the most part continued downward the past week. Individual industries in spotted instances reflected increased output, while in other lines moderate declines below that of the previous week were noted. Compared with the same period one year ago, decreases in the latter group, proved substantial. According to manufacturers reports the volume of new orders has been well sustained with unfilled orders accumulating due to delays in deliveries and the shortage of skilled labor.

In the lumber industry, production for the week ended Sept. 29, declined 36%, shipments 25% and new orders by 39%. The current condition of lumber stocks are at an extremely low level.

Rising costs above those of a year ago featured the construction industry. Engineering construction for the week ended Oct. 4, showed an increase of almost 200% above last year, but dipped slightly from the previous week. Commercial building on the other hand reached the highest level since 1941.

The growing number of strikes continue to hamper the country's efforts to hasten the process of transition to a more normal economy. In the week there was further evidence to show the effects strikes in the coal industry have already had upon the Nation's production of steel.

It was felt with the coming of V-J Day the demands of war would diminish materially the tremendous drain upon the country's manpower and other resources and that manufacturers could swing into civilian production within a reasonable period. The current epidemic of strikes, however, now threatening business and industry have throttled industrial output and at the same time have pushed delivery dates of essential materials and manufactured goods into the distant future.

Some encouragement was offered the country at present confronted with depressing news of widespread strikes and unemployment by the optimistic report of Chairman J. A. Krug of the War Production Board, on reconversion, employment and business prospects in general.

Basing his forecasts "on the assumption of an orderly reconversion," Mr. Krug predicted that the decline in national income and production would be halted early next year. Qualifying his statement, in an ample way, Mr. Krug said, should labor disputes become prolonged and widespread, extensive hoarding of materials occur, together with a serious disruption of the price structure, or other unforseen circumstances, the above forecasts would have to be modified.

In predicting a decline in national income next year, Chairman Krug stated that national income would level off at about $155,000,000,000, as compared with $207,000,000,000 at the time of Germany's surrender. Estimating that three or four years of uninterrupted supply would be required to meet the pent-up demand for some goods, Mr. Krug added, this could readily warrant operations well above pre-war levels in these industries for some years to come.

Steel Industry—Steel price adjustments to compensate for cost factors other than any wage increase which may be granted in the steel industry have practically been decided upon by OPA, states "The Iron Age," national metalworking paper, in its summary of the steel trade dated Oct. 10. Announcement of price increases in the steel industry is being held up pending a clearer view of what the industry faces in the way of increased wage costs. Such costs if they come it is understood will not be included in the decisions already reached with regard to probable steel price increases slated for the near future. Steel makers, it was reported were not able to obtain any where near the relief they sought. This being the case, any wage increase will result in demands for additional price adjustments, it was indicated.

Barring unforeseen events price increases on many carbon steel products may be announced within the next 30 days or so and on an overall basis the adjustment may average out between $2 and $2.25 a ton. Higher increases will be made on items showing the greatest loss or the least return, while lower adjustments or none at all will involve products on which the return is considered to be almost enough or enough. Should advances be made on semi-finished steel, as is expected, corresponding increases will be made on some flat-rolled products to an extent which will enable small nonintegrated producers to obtain relief.

Because of coal strikes the steel ingot rate for the industry this week declined three points to 76% of capacity and if the mine deadlock continues, further reduction is indicated for next week, "Iron Age" said.

The effect of coal strikes on steel production the past week prevented steel companies from catching up on some of their orders while consumers made last minute progress on reconversion changes.

Normally steel companies should be obtaining as large an inventory of coal as possible at this time in order to offset subsequent severe weather conditions. If the latter materializes this winter, many steel companies will again be forced to operate at a lower rate than would otherwise be necessary.

Despite a somewhat reduced net steel order volume in recent weeks due to additional cancellations, lower operating rates have tended to extend deliveries much farther into the future. Doubt no longer exists that the tightness in many steel products especially flat rolled items will cause many steel consumers to revise their more optimistic plans for production of civilian products. Whether or not this difficulty in obtaining bars, sheets and strip will be prolonged depends entirely upon the course of present labor difficulties.

War expansion in steel facilities and the introduction of new products has enabled Canada to attain almost complete independence of the United States with regard to steel supply. Before the war the Canadian automotive industry imported practically all sheets used in the manufacture of automobiles there, as well as a large percentage of castings. These export potentialities will be drastically changed upon completion of the new sheet and strip mill unit at the Hamilton works of the Steel Co. of Canada.

The American Iron and Steel Institute announced on Monday of this week the operating rate of steel companies having 94% of the steel capacity of the industry will be 66.3% of capacity for the week beginning Oct. 15, compared with 73.5% one week ago. 83.2% one month ago and 97.0% one year ago. This represents a decrease of 7.2 points or 9.8% from the preceding week.

(Continued on page 1874)

The Financial Situation

(Continued from first page)

London naturally has not escaped notice. It may or may not have been purely accidental that the one followed the other so closely, but it is scarcely strange that there should be those who suspect that it was not. At any rate, if a hint to Russia was intended, one can scarcely expect it to be particularly effective. If Germany (and, incidentally, also Japan) are to be kept permanently impotent, Russia can hardly be expected to believe that we could be particularly effective in matching force with her in eastern Europe or in any part of Asia she is particularly interested in—even if she believed the American people could be persuaded to try. Of course, if the General suspects that presently Russia will develop ambitions to subjugate the world as Germany and Japan are commonly believed to have done, the situation might be different, but such a contingency appears too remote to furnish a good argument for such sweeping proposals.

Faulty Argument

With all due respect to the General, it must be said in all candor that his use of the rise of Hitler as an argument for superlative military strength in the United States appears almost disingenuous. Is there anyone who doubts that Hitler could have been quickly and thoroughly crushed at the outset of his aggressions by the military strength of Great Britain, France and the United States as they then existed had the peoples of those countries, or even those of Great Britain and France, been disposed to use them for the purpose? Hitler attained his position not by reason of military weakness of this or any other country, however greatly they may have lacked real strength, but rather because those later to oppose him could not gain their own consent to act until the eleventh hour. It seems to us to be almost preposterous to suggest that we must maintain any such military establishment as that suggested by the General to protect ourselves against either the military power or the military potential of any power on earth if we may assume that we shall keep Germany and Japan harmless, that Russia is not to be feared as aggressor against this nation, and that future events will not bring forth some combination of powers such as Great Britain and France against us. Indeed with the sole exception of Russia, military policies can and probably will be well known and so much needs to be done before any real threat to us could develop that with anything approaching alertness we could match our military preparedness with theirs in the future should we think it necessary.

What renders these typical Army doctrines (which have in one form or another been heard many times) disturbing at this time is apparent determination on the part of many of our leaders — and it must be said in all candor, with apparent support of a great many citizens who should know much better—to lay out lines of future international policy which could and indeed almost inevitably would involve us in international controversies of moment anywhere in the world. It is one thing to be quite safe and free to proceed in the future with moderate military burdens when we are minding our own affairs; it is quite another to be less than armed to the teeth, so to speak, if we must "rule the world" for the purpose of keeping it peaceful and without danger to us as, incredibly enough, is being insistently suggested in more than one quarter.

Plain Speaking

Of course, only those who commendably enough are fond of putting things plainly and bluntly to themselves and others use such terms as these, but many of the proposals of the day, and indeed many of the policies actually being pursued at the moment, come very close to implying precisely that. We have been having a field day talking about exterminating certain social and economic beliefs in Germany — which one authority estimated the other day might take 50 years. We are actively engaged in a campaign of "educating" the Japanese people —as if a conquered people could be expected to sit at the feet of its conquerors and accept as words of wisdom what these "hateful" foreigners tell them. There are many who believe that anywhere in the world where there is a "sore spot" with potentialities of serious dimensions there we must inject ourselves and our ideas—with a show of force if need be. It is to us almost incredible that such ideas should be so widely held in this country, but we are not able to blink the evidence before our eyes.

Ideas similar to these lead many to believe that we must underwrite the British Empire today, tomorrow and always if need be in order to have its assistance in keeping the world straight. Some even go so far as to express the view that we should extend liberal grants in aid to Great Britain, but only if we are permitted to dictate an industrial policy of modernization and mechanization so that British economy may survive and at some time or other become self-sustaining. Amost incredible? Yes, but true. Revealing a naive faith in the efficacy of mechanization as such and a failure to recognize that a people obliged from without to set up a business system foreign to them and alien to their customs are not likely to be particularly successful in making it a success? Yes, but that does not alter the fact that such proposals are being heard. Russia, too, wants help—all we can be persuaded to give her, doubtless —and she too must surrender some part of her freedom of choice in certain matters if she is to have it—according to these world schemers.

In Heaven's Name, Why?

So it is to go throughout the world. We must take the world in hand and keep it in line, eliminating one after another each potential cause of future wars! In such an event we might very well be foolish not to spend huge sums and other treasure yearly for military might. We are likely to need it.

But why in heaven's name must we try to manage the affairs of the world?

President Signs Army Enlistment Bill

President Truman signed on Oct. 6 a so-called recruitment bill, designed to encourage voluntary enlisting in the Army and Navy by allowing short-term enlistments, optional retirement from the Army on half pay after twenty years of service (already allowed by the Navy), and benefits of the GI Bill of Rights for those who re-enlist, according to Associated Press Washington advices. Under the short-term provision of the bill new recruits will be permitted to enlist for eighteen months and men with at least six months of training may re-enlist for only twelve months. Army regulations also permit two or three year enlistments.

It is hoped that the new legislation will help the Regular Army reach its goal of 300,000 men, the figure mentioned to Congress recently by Gen. George C. Marshall, Chief of Staff, who explained that in addition to the volunteers it was expected that 800,000 would be inducted under Selective Service before August. To this total of 1,100,000 would be added men already in the Army and who were not eligible for discharge. Thus, according to General Marshall, the New York "Times" stated, the over-all strength by next July should be about 2,500,000.

Airmail to Italy, Balkans

Postmaster Albert Goldman announced on Oct. 8 that information has been received from the Post Office Department, at Washington, indicating that articles acceptable for dispatch to Greece, Italy and Yugoslavia will be forwarded by air when prepaid at the rate of 30 cents per half-ounce or fraction. Articles for Greece, Italy (except the provinces of Gorizia, Trieste, Pola, Fiume and Zara), and Yugoslavia, says the announcement, may not exceed one pound in weight, and for the Italian provinces of Gorizia, Trieste, Pola, Fiume and Zara may not exceed two ounces. Air mail articles for Greece and Italy may not contain merchandise.

McLaughlin, of Brooklyn Trust, Urges Support By Clearing House Banks of Saturday Closing

George V. McLaughlin, President of Brooklyn Trust Co., of Brooklyn, N. Y., on Oct. 10, sent a letter to the chief executives of all banks which are members of the New York Clearing House Association, urging that they support a general agreement by Clearing House banks to close on Saturdays throughout the year, and pledged cooperation of Brooklyn Trust Co. in any such agreement. Mr. McLaughlin said:

Geo. V. McLaughlin

"If every Clearing House member bank would take such action, I have no doubt that the few non-member banks would quickly follow, and we could then go to the Legislature with a united front in seeking the necessary changes in the law."

In the "Wall Street Journal" of Oct. 13 it was stated that banks throughout the nation show little interest in all-year Saturday closing, a move which is being sponsored by many New York City banks. The paper, quoted further, said in part:

"A check of banks in key cities reveals they either have not been talking about the matter or that they feel it would be impractical because of local business needs.

"Chicago reports there has been no talk of bank closings on Saturdays. Some banks state that if they were going to do it—which they are not—they would not consider it in the winter months. The Clearing House, however, said that if New York banks closed, Chicago institutions 'might consider it.'"

Mr. McLaughlin's letter follows:

"I am informed that the subject of closing of commercial banking institutions on Saturdays is being discussed by officers of several of the principal banks of the city.

"It is well known that Saturday closing would be practicable only if adopted by all or substantially all commercial banks. Therefore I am writing to assure you that the management of this company strongly favors Saturday closing throughout the year and will gladly cooperate in any general agreement to accomplish that end.

"In addition, I would like to urge that you place your institution on record in favor of Satday closing at any meetings at which the subject may be considered. If every Clearing House member bank would take such action, I have no doubt that the few non-member banks would quickly follow, and we could then go to the Legislature with a united front in seeking the necessary changes in the law.

"The five-day working week is spreading rapidly in business and industry, and with the return of peace the last plausible argument against its adoption in banking has, in my opinion, completely disappeared. The argument that the public would protest has been disproved by experience in New Jersey and other areas in the Metropolitan District. I do not thing we need concern ourselves over possible loss of business to Philadelphia and Boston banks, for the five-day working week will undoubtedly spread to those cities within a relatively short time. I understand it already has been adopted by banks in Wilmington, Del.

"As you are undoubtedly aware, it is becoming increasingly difficult to obtain and hold competent personnel against the competition of other types of business which offer the five-day week as an inducement and feature it prominently in their advertising. Such appeals have resulted in the loss by this company of many experienced and competent employees, and I feel sure that the same situation exists in other banking institutions.

"As the law now stands, Saturdays in the months of July and August become legal holidays for any banking institution upon adoption of an appropriate resolution by its Board of Directors or Trustees. While it would be preferable if every Saturday in the year could be designated as an unqualified legal holiday by law, there might be some considerations outside the banking field which would weigh against such action by the Legislature. If that be so, the next best course, I believe, would be to seek extension of Saturday bank holidays throughout the year.

"The first step, I believe, is for the managements of all Clearing House member banks to agree on a uniform policy of Saturday closing and signify their willingness to put it into effect. Just as soon as this has been done, I will ask my board for an appropriate resolution—if such be required—and I hope that you will agree with me and do likewise."

Burns Elected Director of Nat'l Research

The Directors of the National Bureau of Economic Research announced on Oct. 10 the resignation of Dr. Wesley C. Mitchell as Director of Research after 25 years of service in which the policies and practices of the National Bureau were developed. They also announced the election of Dr. Arthur F. Burns, Professor of Economics, Columbia University, as Director of Research effective Oct. 10, to succeed Dr. Mitchell. Dr. Mitchell will continue as a member of the research staff.

Dr. Burns has been a member of the research staff of the National Bureau since 1930. Prior to joining the faculty of Columbia University he taught at Rutgers University. He is author of "Production Trends in the United States Since 1870," published by the National Bureau in 1934, and is co-author with Dr. Mitchell of "Measuring Business Cycles," a volume now in press and scheduled for publication early in 1946.

Steel Mill Employment Declined in August

Average employment in steel plants in August dropped nearly 15,000 below the July level, reflecting in part the end of the war, it is indicated in a report released on Oct. 12 by American Iron and Steel Institute, which further adds:

During August, an average of 542,700 employees was at work in the industry, compared with 557,500 in July and with 569,200 in August, 1944.

Monthly payrolls likewise dropped during August to a total of $128,117.000 from the total of $141,006.400 in July. In August a year ago payrolls totaled $143,900,100.

Hourly earnings of wage earners in August averaged 125.3 cents as against 126.9 cents in July and 116.9 cents in August of last year.

Wage earners worked an average of 40.4 hours per week in August, compared with 43.5 hours per week in July and 47.5 hours per week in August, 1944.

House Passes Tax Relief Measure; Vinson Opposes Cut Above $5 Billion

By a vote of 343 to 10, the House on Oct. 11 passed a tax relief measure which would eliminate about 12,000,000 persons as taxpayers and reduce the amount paid by individuals and corporations in income tax and the amount of excise tax by an estimated $5,350,000,000 for 1946.

Following the conclusion of the action by the House on the bill, the Senate Finance Committee began hearings on the measure, at the opening of which on Oct. 15 Secretary of the Treasury Vinson advocated a $5,000,000,000 tax reduction for 1946 but opposed House provisions which he said would cut off another $2,000,000,000 in 1947. In testifying before the committee he reviewed the recommendations he made originally to the House Ways and Means Committee for a 1946 tax cut of $5,175 000,000. Associated Press advices from Washington, Oct. 15, reporting this, further stated:

"The House bill," he said, "grants reductions that are reasonably close to that amount for 1946. But without further congressional action, the provisions of the House bill would operate to grant reductions of more than $7,000,000.000 for the calendar year 1947. It would write into law about $2,000,000,000 of tax reduction over and above the $5,000,000,000 reduction applicable in 1946. I believe that we should not today prejudge to this extent the tax needs of 1947."

The Secretary laid down two guiding principles in considering tax cuts. The first was that reductions must be limited because of continuing large expenditures which he said will continue "high for many months to come."

His second point was: "The basic objective of tax adjustments at this time is to put us on the high road of peacetime full employment and maximum production. . . . From the taxpayers' angle, a large tax is easier to pay with a high income than is a small tax with a low income."

Mr. Vinson warned that inflation may get away from everybody during the transition from war to peace. This should be kept in mind, he said, in preparing any tax reduction plan.

"We cannot afford to abandon our safeguards against inflation," he said. "We have held this enemy at bay throughout the war and it would be folly to drop our guard before the final round is won."

Advices to the New York "Journal of Commerce" from its Washington bureau on Oct. 15 stated that on that day Secretary Vinson disclosed that "rough" official estimates lead to the belief that the Federal deficit might fall as low as $5.000,000,000 to $8,000,000,000 by July 1, 1947. The advices added:

Making the estimate before the Senate Finance Committee, Mr. Vinson warned, however, that the figures were based on the assumption that tax rates would not be reduced in 1947 beyond his recommendations. A $130,000,000,000 national income for the 1947 fiscal year was presupposed.

The Treasury Secretary, who appeared at tax bill hearings, held out the first hope, voiced by any topflight public official, that the prospects of balancing the budget in the next several years are real. While some confusion developed from a discussion of fiscal and calendar years, Mr. Vinson seemed to indicate that this country might be well on its way toward balancing the Federal budget by July 1, 1947, and that the budget might conceivably be balanced not long thereafter.

The bill passed by the House represented the first major reduction in taxes in 16 years and met little resistance, although differing in numerous respects from the measure advocated by Secretary Vinson before the House Ways and Means Committee. His recommendations appeared in the "Chronicle" Oct. 4, page 1569.

The Senate may revise the provisions of the bill, but, as passed by the House, it contains the following relief for taxpayers in 1946, according to the Associated Press in its Washington advices of Oct. 11:

Lifts all income taxes from 12,000,000 persons and gives other individuals (there were 50,000,000 taxpayers when the war ended) cuts ranging from 10% to more than 40%. No person would get less than a 10% reduction. Income tax savings to individuals would amount to $2,327,000,000. Pay-as-you-go withholdings from wage and salaries would be reduced Jan. 1.

Eases corporation burdens by $1,888,000,000, including partial repeal of the war-time excess profits levy and lowering of the business surtax rate.

Reduces sharply on July 1 the war-time excise taxes. This would save consumers $535,000,000 in the last six months of 1946. About $160,000,000 in floor stock taxes would be refunded.

Abolishes the $5 automobile use tax July 1.

Freezes the social security tax in 1946 at 1% each on employees' pay and employer's payrolls. Without the freeze the tax would jump to 2.5% against each on Jan. 1.

The Associated Press further reported:

The House declined to repeal the 3% individual "normal" tax outright, as recommended by the Treasury. Instead, it applied the surtax exemptions, $500 for the taxpayer and $500 for each of his dependents, to the normal tax now collected on net income above $500 regardless of the number of dependents. It then reduced the graduated surtaxes by four percentage points in each bracket.

This system is equivalent to repeal of the normal tax, plus a one percentage point reduction in each surtax bracket.

The tax relief for business would involve cutting the excess profits tax next year from an effective rate of 85.5% to 60%; repealing this tax Jan. 1, 1947; reducing the 1946 corporation combined normal and surtax from 40% to 36% (the cut being in the surtaxes); repealing next July 1 the capital stock and declared value excess profits taxes.

The recommendations of Secretary Vinson made to the House Ways and Means Committee were renewed before the Senate committee. Some of these were followed, others ignored, by the House group, said Associated Press Washington advices, Oct. 15, which added:

His program included:

1. Excess profits tax repeal effective Jan. 1, next.
2. Normal individual income tax repeal (3%) on the same date.
3. Reduction of excise taxes to their 1942 level, effective next July 1.

He listed the 1947 revenue losses under the House bill, in addition to the 1946 cuts, as follows:

Repeal of excess profits levies, $1,496,000,000.

Repeal of capital stock and declared value excess profits taxes, $60,000,000.

Excise tax reductions, $506,000,000.

In urging immediate repeal of the excess profits tax, Secretary Vinson said it is the fixed policy of the Administration "that every war control over American business and American life shall be dropped as soon as conditions make it possible to do so:"

Mr. Vinson said a provision of the House-approved bill that taxpayers generally shall have a 10% cut, gives special relief to those with incomes above $20,000. He testified:

"A married man with no dependents making a net income of $100 000 would have a 22.8% increase in the amount be had left, under the House bill. A married man without dependents with a $5,000 income would have only 4.3% more," he said.

But Senator Byrd (D.-Va.) said that before he votes to cut taxes he wants to know what, if anything, is being done about cutting the budget now that the war is over.

"The only way we can have real tax reduction is to get Federal expenditures in line with Federal income," he told a reporter. "We can't go on doing nothing about the debt we have piled up in the war."

Senator Byrd noted that President Truman had nothing specific to say in his Sept. 6 message to Congress about plans to start paying back some of the money borrowed to whip Germany and Japan. He said he wants to find out if Mr. Vinson has laid out any blueprint of that kind.

The completion by the House group of the tax reduction program was noted in our issue of Oct. 11, page 1754.

Business Failures In September

Business failures in September were higher in number and amount of liabilities involved than in August but lower in number and amount than in September a year ago. Business insolvencies in September, according to Dun & Bradstreet, Inc., totaled 64 and involved $1,658,000 liabilities as compared with 56 in August involving $1,166,000 and 75 involving $4,065,000 in September a year ago.

The manufacturing and the commercial service groups had more failures in September than in August, the retail group had the same number and the remaining groups had fewer failures in September than in August. When the amount of liabilities is considered only the wholesale and construction groups had less liabilities involved in September than in August.

Manufacturing failures in September were up to 24 from 21 in August and liabilities up to $780,000 in September from $595,000 in August. Wholesale failures in August numbered two with liabilities of $20.000 as against five with liabilities of $35,000 in August. Retail failures in September numbered 17 the same as in August but liabilities were up to $347.000 in September from $133,000 in August. Construction insolvencies in September were down to five from eight and liabilities were down from $186,000 in August to $87,000 in September. Commercial service failures in September were up to 16 from five in August and liabilities up to $424,000 in September from $217,000 in August.

When the country is divided into Federal Reserve Districts it is found that the Atlanta and San Francisco Reserve Districts had fewer failures in September than in August, the Philadelphia, Richmond, Minneapolis and Dallas Reserve Districts did not have any, while all of the remaining districts had more insolvencies in September than in August. When the amount of liabilities involved is considered it is seen that outside of those districts that did not have any failures only the Atlanta Reserve District had less liabilities involved in September than in August.

Working Capital of U. S. Corporations in First Quarter of 1945 at New Peak, SEC Reports

The net working capital of American corporations (exclusive of banks and insurance companies) reached another new high in the first quarter of this year, estimated at $46.9 billion as of March 31, 1945, according to the quarterly analysis made public on Aug. 29 by the Securities and Exchange Commission. During the three months, January through March, 1945, working capital increased by $1.4 billion, a somewhat higher rate than prevailed during the year 1944. This increase can be fully accounted for by retained profits after taxes and dividends, said the Commission which, under date of Aug. 29, went on to say:

As in previous quarters, working capital at the end of March was in extremely liquid form with both cash and U. S. Government securities accounting for a very substantial portion of the total. The growth in working capital during this quarter comprised an increase in current assets amounting to $600,000,000 and a decrease in current liabilities amounting to $800,000,000. By far the largest change in any of the items of current assets or current liabilities was the $1.8 billion increase in cash on hand and in banks to the record total of $24.8 blilion. This increase was partially offset by the drop in U. S. Governments, amounting to $1.0 billion. Corporations' holdings of U. S. Government securities, however, amounting to $19.8 billion, were still substantially in excess of their income tax liabilities of $16.1 billion which have remained relatively constant for several quarters. Other changes in the current picture were the $800,000,000 drop in notes and accounts payable and the reduction in receivables from the U. S. Government amounting to $400,000,000. There was comparatively little change in any of the other components of working capital.

In addition to the increase in working capital, corporations continued to accumulate post-war credits in refundable taxes, raising the total of such refundable taxes to $2.3 billion as of March 31, 1945, an increase of $200,000,000 over the quarter. Other sources of substantial refunds payable to corporations are the provisions of the income and excess profits tax laws for carry-back of losses and unused excess profits credits, for accelerated amortization of emergency facilities and for recomputation of base-period income for excess profts determination. As a result of the recent enactment of the Tax Adjustment Act of 1945, these tax refunds will hereafter be reflected in the net working capital position of corporations.* As for other items affecting the corporations' financial position, there was on the assets side a drop of about $500,000,000 in the net property account and on the liabilities side a reduction of $500,000,000 in long-term debt; both of these declines reflected a continuation of trends which characterized the two preceding years.

The attached tabulation shows the working capital of all corporations in the United States on which the above discussion is based. Though there was considerable variation for the various industrial and size groups of corporations, practically all groups shared in the rise of working capital in this quarter as in previous periods.

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*It has been estimated that tax refunds resulting from the carry-back of losses and unused excess profits credits and the recomputation of amorization allowances will amount to $2.7 billion in addition to the $2.3 billion of refundable taxes which had accumulated to March 31, 1945.

†CURRENT ASSETS AND LIABILITIES OF U. S. CORPORATIONS
1939-1945
(Billions of dollars)

						1944				1945
	1939	1940	1941	1942	1943	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31
Current Assets—										
Cash on hand and in banks	10.9	13.1	13.9	17.7	22.8	22.0	21.8	24.1	23.0	24.8
U. S. Govt. securities	2.2	1.9	3.9	10.0	15.8	18.1	19.7	18.9	20.8	19.8
‡Reveivables from U. S. Government	---	.1	.6	4.0	5.0	4.9	4.8	4.6	4.7	4.3
Other notes and accounts receivable	22.1	23.9	27.4	23.3	22.5	22.4	21.9	22.1	22.9	23.2
Inventories	18.0	19.8	25.6	27.3	27.0	27.2	26.8	26.8	26.0	25.9
§Other current assets	1.4	1.5	1.4	1.3	1.3	1.3	1.4	1.3	1.4	1.4
Total current assets	54.6	60.3	72.8	83.6	94.4	95.9	96.4	97.8	98.8	99.4
Current Liabilities—										
‡Advances and prepayments U. S. Government	---	.6	.8	2.0	2.2	2.3	2.2	2.0	1.8	1.7
Other notes and accounts payable	21.9	22.6	25.6	24.5	25.7	25.7	25.2	25.7	26.7	25.9
Fed. income tax liabilities	1.2	2.5	7.1	12.1	15.9	16.1	16.2	16.1	16.0	16.1
¶Other current liabilities	6.9	7.1	7.2	8.8	9.3	9.2	9.1	9.1	8.8	8.8
Total current liabilities	30.0	32.8	40.7	47.4	53.1	53.3	52.7	52.9	53.3	52.5
Net working capital	24.6	27.5	32.1	36.2	41.3	42.6	43.7	44.9	45.5	46.9

†All U. S. corporations, excluding banks and insurance companies. Data for 1939-1941 are based on Statistics of Income, covering virtually all corporations in the United States. Data for 1942-1945 are estimates based on data compiled from many different sources, including data on corporations registered with the Commission. Because of the nature of the figures, these estimates are subject to revision.

‡Receivables from and payables to U. S. Government do not include amounts offset against each other on the corporations' books or amounts arising from subcontracting which are not directly due from or to the U. S. Government.

§Includes marketable securities other than U. S. Government.

¶For 1942-1945 includes provisions for renegotiation other than those combined with income tax liabilities.

August Truckloading Higher Than in July

The volume of freight transported by motor carriers in August showed a slight increase of 0.8% above July, but was 6.4% below August, 1944, according to statistics compiled by the Department of Research of American Trucking Associations, Inc.

Comparable reports received by ATA from 222 carriers in 42 States showed these carriers transported an aggregate of 1,758,271 tons in August, as against 1,744,674 tons in July and 1,877,775 tons in August, 1944.

The ATA index figure, computed on the basis of the average monthly tonnage of the reporting carriers for the three-year period of 1938-1940 as representing 100, was 171.58.

Approximately 78½% of all tonnage transported in the month was hauled by carriers of general freight. The volume in this category showed a slight increase of 0.5% over July, but decreased 8.0% under August, 1944.

Transportation of petroleum products, accounting for about 15% of the total tonnage reported, showed a decrease of 2.3% under July, but increased 5.7% above August, 1944.

Carriers of iron and steel products hauled about 2% of the total tonnage. Their traffic volume was 11.7% below July and 21.0% below August. 1944.

About 4% of the total tonnage reported consisted of miscellaneous commodities, including tobacco, milk, textile products, coke, bricks, building materials, cement and household goods. Tonnage in this class increased 30.9% above July, but showed a decline of 6.0% under August of last year.

President Dedicates New TVA Dam in Kentucky

(Continued from first page)

the Norris Dam on the Clinch River—was dedicated by my illustrious predecessor—Franklin D. Roosevelt. At the very start of his presidency, he had the great vision and foresight to recommend and encourage the comprehensive development of this entire great valley.

It is now a matter of great pride to me to dedicate the 16th great structure built by the TVA—the Kentucky Dam. The system of dams across the Tennessee now puts under the control of man a whole vast river—and harnesses it to do his work. This has not yet happened on any other river. The completion of this dam marks a new high point in modern pioneering in America.

Nine years ago TVA was a highly controversial subject. Today it is no longer an experiment, but a demonstration. By all except a small minority it is now regarded as a great American accomplishment, of which all of us are proud.

Here in this great valley American enterprise and courage and skill have come through again with a genuine achievement. The TVA does not belong to the people of the Tennessee Valley alone. It belongs to all the United States. And, indeed, it has inspired regional resource development all over the world. Distinguished observers from more than 50 countries have come to this historic American valley. They came here to study what has been done. They went away to try to adapt to their own regions the lessons that have been learned here from actual experience.

As a Senator I was always a strong supporter of the TVA. And I can say to you that I have never had occasion to regret my support of the TVA and of the idea it represents. Its record has fully justified the hopes and the confidence of its old friends.

But it is more than dams and locks and chemical plants and power lines. It is an important experiment in democracy. In it, administrative methods have been devised which bring the people and their Federal Government closer together—not in Washington, but right where the people live. Here in this valley there has been firmly established the basic principle of development of resources on an autonomous regional basis.

Why has TVA succeeded so well? Why does it have the esteem of the people of this valley and attract the attention of other regions of America and of the entire world? To me the answer is clear—TVA is just plain common sense. It is common sense hitched up to modern science and good management. And that's about all there is to it.

Instead of going at the river piecemeal with a dam here and a dam there, the river was treated as a whole. The dams were all designed so that they would fit together as a unit and in that way get the most service out of the river for mankind.

Consider Kentucky Dam itself. This dam will hold back four million acre feet of flood water from the Lower Ohio and Mississippi Rivers. The people behind the levees on those rivers know how much that will mean to them in protection from disaster. When the danger of flood is past, those flood waters are not to be wasted. They will be put through the water wheels here at the dam to produce great quantities of electricity. That electricity will rush to serve the people of the valley, their homes and farms and industries.

Kentucky Dam also provides a deep-water, navigable channel 183 miles long. The other TVA dams carry that reliable deep-water channel all the way to Knoxville in East Tennessee, 650 miles away. As a result, the South and Middle West of this nation are now connected by water transportation. The benefits of this dam go not only to the Tennessee Valley; they go to St. Paul and Minneapolis, to New Orleans and Memphis, to St. Louis and Kansas City, to Omaha and Sioux City—to all the communities in the great Mississippi Valley that are served by our inland waterways.

In addition to power and flood control and navigation, there is recreation. TVA has joined with the various States and local communities in the development of great lakes here in the South. Here we have boating, fishing and hunting where thousands upon thousands of people in the Tennessee Valley and the Middle West may enjoy themselves.

As President Roosevelt said when he first recommended the creation of the Tennessee Valley Authority in April of 1933:

". . . the usefulness of the entire Tennessee River . . . transcends mere power development; it enters the wide fields of flood control, soil erosion, afforestation, elimination from agricultural use of marginal lands and distribution and diversification of industry."

His prophecy has been fulfilled, for in the TVA the Congress has provided for a tying together of all the things that go to make up a well-rounded economic development.

It is easy to see that most of these common-sense principles can be applied to other valleys and I have already recommended to the Congress that a start be made in that direction. Careful planning and common-sense development can convert the idle and wasting resources of other valleys into jobs and better living.

No two valleys are exactly alike, of course. For that reason, the details of just how this region or that region should be developed are matters that require study and judgment in each particular case. The procedure in each valley may have to be a little different. The details of administration and control may have to be different. But the underlying common-sense principles of this development here in the Tennessee Valley can provide guidance and counsel to the people in other regions who likewise aspire to put their resources to the greatest use.

Let me emphasize that in the last analysis such development is a matter for the people themselves to decide. Here in this valley State and local agencies, public and private, have joined with TVA in a two-way partnership. This was a natural result of the policy of regional decentralization. That same policy ought to be followed in the other river valleys as regional agencies are created by the Congress and set to work.

We must continue all over the United States to wage war against flood and drought. Our vast store of natural resources can be made to serve us in peace with the same efficiency as they did in war. We should exercise our common sense, go ahead and continue to get the job done.

Much has already been done in the past 12 years on river development in other parts of the country—on the Columbia and Colorado, on the Missouri, on the rivers of the central valley of California. They are all designed to make the rivers and their generous bounty serve instead of injuring mankind.

Waters are now being harnessed and changed into electricity—electricity which has helped supply the weapons of victory in war—electricity which can be used to improve the standards of living and comfort and efficiency in the farms and homes of thousands of American families. Waters are now making crops grow on land where recently there was only desert dust.

The valleys of America await their full development. The time has come—now that materials and manpower are more plentiful—to press forward. The days of the pioneer are not dead. The development of our natural resources calls for men of courage, of vision, of endurance, just as in the pioneering days of old.

The nation, I am sure, is determined to march forward. We will not listen to the whispers of the timid, that dreams like those of the Tennessee Valley are impossible to accomplish. In the great valleys of America there is a challenge to all that is best in our tradition. Ahead of us lies a great adventure in building even stronger the foundations of our beloved country.

America will not hesitate to meet that challenge.

After delivering the above prepared address, President Truman spoke extemporaneously regarding the economic outlook. He referred to the labor troubles and other disturbances which are hampering reconversion and world peace as "little troubles" and "just a blow-out after a let-down from the war" and asserting that "the greatest age of history is upon us" he urged all "to go home and go to work and cut out the foolishness" in order to make this nation the greatest nation the sun has ever shone upon.

The text of his talk, as published by the New York "Times," follows:

Now I want to say to you how very happy and how glad I am to be your guest here today. I am particularly glad because Senator Barkley and Congressman Gregory informed me that people always turn out like this for them when they come home. Barkley whispered to me coming over here that if the people keep treating him like this, there is no possible way for him to retire from public life.

I hope that time will never come, because Barkley is a good public servant. Congressman Gregory — I had the pleasure of giving him his first plane ride the other day. He said he didn't like riding in a plane. Lots of people are averse to riding in a plane. Even my wife hates to ride in a plane.

But after I got Gregory aboard he confessed that if he was going to get his neck broken, he would just as soon break his neck in with Barkley and me.

I hope that the development of this great valley here will result in the development of our other river valleys along the same line. You know, our resources have barely been touched. Some of our national resources, lumber, for instance, have been exhausted by senseless deforestation.

We are trying to remedy that situation now by reforestation. This great development has proven conclusively that a free people can do anything that is necessary for the welfare of the human race as a whole.

We created the greatest production machine in the history of the world. We made that machine operate to the disaster of the dictators. Now, then, we want to keep that machine operating. We must keep that machine operating.

We have just discovered the source of the sun's power, atomic energy; that is, we have found out how to turn it loose. We had to turn it loose in the beginning for destruction.

We are not going to use it for destruction any more, I hope. But that tremendous source of energy can create for us the greatest age in the history of the world, if we are sensible enough to put it to that use and to no other. I think we are going to do just that.

I think our Allies are going to cooperate with us in peace just as we cooperated with them in war. I think we can look forward to the greatest age in history, and I have said that every time I have had an opportunity to address anybody.

The greatest age in history is upon us. We must assume that responsibility. We are going to assume it, and every one of you and all of us are going to get to work for the welfare of the world in peace just as we worked for the welfare of the world in war. That is absolutely essential and necessary.

We are having our little troubles now, a few of them. They are not serious. Just a blow-up after a let-down from war. You remember what a terrible time we had the first two days after the Japanese folded up. Everybody had to blow off steam.

Well, there is still some of that steam that wants to be blown off. And we still have a few selfish men who think more of their own personal interests than they do of the public welfare. But they are not going to prevail. You are not going to let them prevail. You are going to force everybody to get into this harness and push and pull until that great age I am prophesying comes about.

We can't do it tomorrow; we can't do it next month, we probably can't do it next year. It is going to take some time for us to realize just exactly what we have and what we will do with it.

Now let's all go home and go to work. Cut out the foolishness and make this country what it ought to be—the greatest nation the sun has ever shone upon.

Calls for Selling Speed-Up

In a message to the Boston Conference on Distribution, delivered on Oct. 15, President Truman called for a speed-up of "the techniques of selling and service and a critical re-examination of the means of distributing goods with a view to reduced selling and servicing costs. I am convinced," said President Truman in his message to the Chairman of the Conference, "that our distributive agencies and facilities are in agreement with these broad objectives. Whatever you can spell out as to how these objectives may be attained will be a contribution toward better standards of living, fuller employment and the public good."

To Fill Vacancies on N. Y. Reserve Bank Board

Successors are to be chosen between Nov. 1 and Nov. 16 to the following directors of the New York Federal Reserve Bank, whose terms will expire on Dec. 31:

Class A director, Warren W. Clute, Jr., President, Glen National Bank of Watkins Glen, Watkins Glen, N. Y., and class B director, Carle C. Conway, Chairman of the board and President, Continental Can Company, Inc., New York, N. Y.

Both directors were elected by member banks in Group 3 and their successors will be chosen by this group. The member banks in Groups 1 and 2 do not elect directors this year and will not participate in this election.

From Washington Ahead of The News

(Continued from first page)

disperse. The labor leaders are fearful that this is the case. They have long gotten used, even the little small fry labor leaders, to creating a problem in the knowledge that it would be settled by Washington and they always had something to gain in that event.

Let's take a look back: All a labor leader, regardless of his importance, had to do in the past, was to threaten a strike. Inasmuch as the great Roosevelt had superseded the governors and mayors, this immediately became a national problem, threatening our very foundations, notwithstanding that no more than 1,000 or so men would be involved. Roosevelt was bound to do something and invariably he would set up a board or refer the matter to one of the many big boards which he had, and the little local labor leader, aside from attracting attention, would get a least part of his demands. Under Roosevelt, like the Russians, everything that was done in any remote locality, became a matter of international importance, and was so treated by the press.

The mayors and the governors were, of course, under his thumb. Their claim to office was how much money they could get from him for State and municipal improvements. No one ran for office, or rather, no one successfully ran for office in those days on what he had accomplished or could accomplish, as an administrator. It was how close he was to Roosevelt and being that close, what public funds he had been able to wangle out of him.

That stuff is really over under Truman. These local hot-shots have got to get out and do something for themselves. This means, they've got to settle problems in their community. Well, how does one settle a strike? The best way is to maintain law and order, a very reasonable thing to ask a mayor or a governor to do.

The labor leaders have attained their tremendous power because law and order were not maintained. For example, under Roosevelt picket lines became sacrosanct. Under this regime, picket lines ceased to be composed of the strikers. The strikers, in the orderly situation which Roosevelt fashioned, went home and continued to draw their pay. An enterprise of professional pickets was developed, a new industry. These people were paid so much a day for picketing. They had no relation to the workers involved. If you had stopped and asked one what he was picketing for he could have gone no further than point to what was said on his placard: i.e. Zamenski is unfair to labor.

These lines have come to be accepted as law. Establish one around a man's house, around his business, and the "don't cross the picket line" prevails. The facts are, and the law is, that people have a perfect right to go through those lines. It is up to the local authorities to see that they can go through them without molestation.

Under Truman's regime, there is an opportunity for mayors and governors to see that this is done. It isn't a question of breaking a strike. There is a Federal law now that strikebreakers cannot be imported into a State. This is aimed at the old practice of industries hiring professional strikebreakers. But there is no law anywhere that a worker who wants to work, or anybody else, can't walk through this picket line with protection of the authorities to whom he pays taxes to protect him. Some local officials are getting on to this and their problems are being solved easily. They should keep in mind how Calvin Coolidge came into fame,

Truman Urged by Commerce & Ind. Assn. to Advance N. Y. as Seat of United Nations Council

President Truman has been urged to advance New York as the permanent seat of the United Nations Security Council by the Commerce and Industry Association of New York, Inc. The letter of Thomas Jefferson Miley, Secretary, setting forth the advantages of the city as the most suitable world center for the Council follows:

In selecting the permanent site of the United Nations Security Council, central location and availability of adequate accommodations and of direct world-wide transportation and communications should be of paramount importance. From the standpoint of location New York is centrally situated with respect to the greatest number of United Nations. Certainly no other city in the United States has direct travel facilities to every part of the globe by air, water and rail equal to those available here. Likewise, with respect to radio, cable and telephone New York's international communications are unsurpassed. The great news services of the world maintain offices in New York so that the dissemination of information regarding the activities of the Council through the free press would be assured. In addition, the large international banks have their headquarters in New York.

New York offers the most modern accommodations for housing the Council and the delegates and staff. From the standpoint of the individual delegates, New York, the entertainment center, the arts center and the style center cannot be overlooked. In this great cosmopolitan city, whose citizenry includes representatives of every nation in the world, delegates will have the opportunity of associating with many of their own countrymen, in reading newspapers and publications in their own language and to engage any needed clerical or staff assistance. Moreover, as New York is considered the most important consular post by many countries, the foreign consular corps here is composed of selected representatives of every commercial nation.

We earnestly beseech your active support of our recommendation that the many advantages of the City of New York as the site for the Security Council be placed before the proper body of the Council.

Liberalized Mortgage Loans In NY Explained

Liberalized mortgage loans for farm borrowers under 1945 amendments to New York State chattel mortgage statutes are explained in "Agricultural Loans Under the Chattel Mortgage Law of 1945," a publication recently released to 700 banks in the State by the New York State Bankers Association. Prior to the enactment of the 1945 amendments, it is pointed out, bank borrowers were handicapped by a patchwork of conflicting agricultural chattel mortgage laws, while borrowers who patronized government agencies enjoyed the advantages of up-to-date legislation which applied only to these agencies. The Association's advices state:

"These advantages were leveled off by the enactment of the Anderson chattel mortgage legislation which was supported by the New York State Bankers Association and drafted by Alan J. Flattery, assistant to Crandall Melvin, President of the Merchants National Bank and Trust Co., Syracuse.

"Mr. Flattery has been Chairman of the Association's Subcommittee on Chattel Mortgage Law Revision since 1943, when, as a lecturer at the Association's annual Farm Credit School, he called attention to the handicap under which banks and other New York agricultural lenders were then operating, and suggested desirable reforms.

"The Anderson Act, which makes Federal agency mortgage legislation applicable to banks and other lenders, was signed by Governor Dewey last March, and became effective Sept. 1, 1945.

"From the farm borrowers' point of view, important privileges extended by the new law include the ability to secure future advances under the original mortgage agreement and permission to use, consume, sell, and exchange mortgaged goods provided the proceeds are used in accordance with statutory conditions and the conditions stated in the mortgage. Borrowers will also be aided by simplified filing and refiling procedures, the liberalization of the definition of mortgageable chattels, and the inclusion of additional purposes for which farm and crop loans may be made.

"Advantages to lenders include (1) extension to three years of the duration of a mortgage lien from the date of original filing, (2) extension from 30 to 60 days of the period for refiling, (3) permission to refile at the office of the clerk where the mortgage was originally filed, (4) provision that the removal of mortgaged property does not impair the lien, (5) coverage of property in the same class as the mortgage property if acquired by the mortgagor during the mortgage's span of existence, (6) permission to make future advances, (7) elimination of the necessity for witnesses, and (8) the previously mentioned provisions permitting the sale and use of mortgaged property, redefining 'crops' and extending farm and crop loan purposes.

"A joint acknowledgment by George J. Sluyter, Chairman of the Committee on Agriculture and President of the First National Bank, Herkimer, N. Y., and Frederic E. Worden, Chairman of the Committee on Legislation and President of the National Bank of Auburn, N. Y., calls attention to the legislation as a 'substantial contribution to New York banks and other agricultural lenders and to farm borrowers.'

"'The 1945 law,' the acknowledgment adds, 'may well serve as a model for needed reforms all over the nation. Through the efforts of the subcommittee on chattel mortgage law revision, New York lenders and borrowers now have all the advantages of a fair, modern statute, especially adapted to today's farming conditions—a statute which has already stood the test of time for 11 years without any substantial change or modification.'"

Truman Salutes China

On Oct. 10, the 34th anniversary of the founding of the Chinese republic, President Truman issued a statement, released by the White House, commemorating the occasion, in which he said that Americans took pride in the "decisive role played by our gallant ally in this titanic struggle for world freedom," and expressed confidence that China would achieve "the democratic objectives established for it by Dr. Sun Yat-Sen." Said Mr. Truman, according to Associated Press Washington advices:

The American people today join the people of all free nations in saluting the people of China upon this 34th anniversary of China's national revolution. For the first time in 14 years China is able to celebrate the Double Tenth without fear of aggression. . . . With final victory in the war achieved, China now faces the urgent problems of reconstruction of her devastated nation—a task which will require all of the inspired leadership and full co-operation of the Chinese people which have been so evident during these years of desperate struggle for survival and without which Japan's savage aims of aggression might have succeeded.

U. S. Coast Guard Stamps

Postmaster Albert Goldman announces that the 3-cent United States Coast Guard stamp of the Armed Forces Series will be placed on first-day sale at the Sub-Treasury Building, Wall and Nassau Streets, New York, N. Y., on Nov. 10. It was at this location that Alexander Hamilton, first Secretary of the Treasury, made his speech recommending the establishment of this service. The Post Office advices state:

The new stamp will be of the special delivery size, arranged horizontally, with a single line border. The central design shows two Coast Guard landing-craft coming from a Supply Ship in the background. Across the top of the stamp in dark Gothic lettering, is "United States Postage" on a shaded panel. Directly below this panel, on the right side of the stamp, appear the words "3 Cents" in dark Gothic lettering. Across the bottom of the stamp is the wording "U. S. Coast Guard" in white face lettering of the same type. To the left and right of this wording and slightly elevated are the dates: 1790 and 1945, respectively, in dark Gothic. The color of the stamp will be announced later.

Stamp collectors desiring first-day cancellations of the 3-cent Coast Guard stamp may send not in excess of 10 addressed envelopes, accompanied with remittance for the stamps to be affixed, to the Postmaster, New York 1, N. Y., in time for servicing before Nov. 10. The stamps will be on sale at other post offices throughout the country as soon as distribution will permit.

For the benefit of collectors desiring stamps of selected quality for philatelic use, the Coast Guard stamp will be available at the Philatelic Agency, Post Office Department, Washington 25, D. C., on and after Nov. 10, 1945. The Philatelic Agency does not service first-day covers

$833 Million Loaned by Savings and Loan Bodies In First Half of 1945

A total of $833,935,000 was loaned during the first six months of 1945 by savings and loan associations and co-operative banks, Henry P. Irr, Baltimore, Md., Vice President of the United States Savings and Loan League, said on Oct. 6. He emphasized that it was the first time since 1937 that these home lending institutions had reached the three quarter billion dollar mark in new loan volume for a six-months period. At the same time, the repayments by borrowers from savings and loan institutions, representing both pre-war and wartime home ownership undertakings, went up to a new high of $600,000,000. It was added.

Among contributing causes for the expanded new loan volume, he named the beginnings of the G. I. home loan program, including priorities for new home building by veterans which began to get underway during the first half of the year. He also felt that the step-up in home reconditioning loans, which were some 12% greater in dollar volume this year than for the like period of 1944, was due somewhat to the WPB amendment late in May making possible for people to borrow for home improvements up to $1,000 without asking anybody.

"Of course the great bulk of the loans the first half of this year were for home purchase," said Mr. Irr. He also noted that repayments on existing home loans have been increased by the same high wages and full employment as have brought the increase in home ownership undertakings. These repayments were up 10% over the like period of 1944.

Willkie Memorial Building Dedicated

A monument to the late Wendell L. Willkie, the Willkie Memorial Building of Freedom House, 20 West Fortieth Street, New York, was dedicated on the first anniversary of his death on Oct. 8 at a ceremony witnessed by two thousand persons who stood in front of the flag draped structure, it was noted in the New York "Times" on Oct. 9. The invocation was pronounced by Dr. John Sutherland Bonnell, Minister of the Fifth Avenue Presbyterian Church. Although Mrs. Edith Willkie, widow of the one-time Presidential candidate did not appear in person, she sent a message in which she said "it seems to me an appropriate memorial to Wendell Willkie that a building bearing his name should house organizations working toward causes in which he deeply believed." The seven agencies which are to occupy the building, according to the "Times" report, are the NAACP, the Anti-Defamation League of B'nai B'rith, the Citizens Housing Council of New York, the Common Council for American Unity, the Public Education Association, the World Student Service Fund and Freedom House itself.

From a balcony of the building overlooking the crowd, a program of tributes was broadcast. The former Under-Secretary of State, Sumner Welles, led the program, saying that although Mr. Willkie had never held public office and spent only a few years in public life, "within that short space of time, he became an outstanding force for human betterment, and a symbol of popular hope, not only in his own nation, but throughout the world of free and democratic peoples."

Dr. Harry D. Gideonse, President of Freedom House, sponsor of the ceremony, read a number of messages honoring Mr. Willkie's memory, among them one in which President Truman, said the "Times," observed that "a great and dynamic personality was lost to his country when Wendell Willkie died." The program included a dramatic recital of the highlights in Mr. Willkie's career; participants were Helen Hayes, Jackson Beck and Gilbert Mack. Lieut. Philip Willkie turned up unexpectedly at the ceremony to express his appreciation to founders of the memorial to his father.

Facilities for Amer. Businessmen in Europe

Ambassador Jefferson Caffery announced on Sept. 25 that American businessmen traveling in the liberated countries of Europe will henceforth be able to secure lodging, food and transportation, provided they clear through the Department of State in Washinfton and later through the Embassy or Legation of the United States in the respective countries they wish to visit. The Foreign Service of the United States through the American Embassy at Paris further reports:

An agreement has been reached between the Army and the State Department whereby American businessmen can gain access to Army quarters and messes, as well as transportation facilities, on a priority basis, provided, however, this does not interfere with the Army's redeployment program.

This is the outcome of long negotiations conducted by the Department of State and the Embassy at Paris with Army officials in the War Department and in the European Theater. The housing, feeding and transporting of American businessmen could not be provided without the active participation of the Army, which, in spite of its rapid demobilization operations, has offered every assistance to make this plan possible.

In Paris, where conditions are more difficult than in any other European city, a hotel and mess will be operated exclusively for transient American businessmen, effective Oct. 1, 1945. This hotel, the California, has already taken care of a few businessmen who have not been able to find accommodations elsewhere.

Rooms and meals will be at prices parallel to those in effect at home for similar accommodations. Limited Transportation will also be made available at reasonable prices. All charges will be on a dollar value, but in the currency of the country in which the service is rendered.

Conditions will continue difficult in some outlying districts and particularly regions from which the Army is preparing to withdraw. The matter, however, is under constant consideration by the Department of State and the War Department, which are anxious to assist American businessmen in every way possible in order to bring about a speedy return to normal relations between the United States and the liberated countries.

Limit Subscriptions By Ins. Cos., Savings Ins. In V-Loan Drive

Secretary of the Treasury Vinson made public on Oct. 8 the limitations to be placed on subscriptions, including deferred payment subscriptions, from insurance companies and savings institutions during the Victory Loan Drive. These decisions were reached after consultations with representatives of the two groups affected, according to the Treasury Department, which added:

"All insurance companies will be permitted to subscribe to the marketable securities in aggregate amounts not in excess of an amount equal to 15% of the total amount of United States Government securities held by the subscribing company on Dec. 31, 1944, or 6% of that company's total admitted assets as of that date, whichever figure is larger.

"Savings institutions, which are defined for this purpose as savings banks that do not accept demand deposits, savings and loan associations, building and loan associations, cooperative banks and credit unions, will be permitted to subscribe to the marketable securities in aggregate amounts not in excess of an amount equal to twice the amount of the net increase in assets (total assets less borrowed funds) of the subscriber during the period from July 1, 1945, through Sept. 30, 1945, plus 7% of the amount of United States Government securities held by the subscriber on June 30, 1945. The formula set for this group was reached in recognition of the difficulty in meeting a consistent interpretation of normal portfolio adjustments and the disparity in growth of assets among individual institutions falling within this group.

"Insurance companies and savings institutions are requested not to use these formulae to circumvent the Treasury's request that non-bank investors refrain from selling securities heretofore acquired in order to obtain the funds to subscribe for securities offered in the Victory Loan Drive, except for normal portfolio adjustments.

"It will facilitate handling of these subscriptions if each institution planning to subscribe under these formulae will furnish the Federal Reserve Bank of its district, prior to entering subscriptions, with the figures applicable to it under its formula."

Agricultural Department Report on Crops as of October 1

The United States Department of Agriculture, at Washington on Oct. 10, issued its general crop report as of Oct. 1, which we give in part below:

National crop prospects declined only slightly during September as a result of weather that adversely affected some important crops. Wet weather, some drought, extremes in temperatures,, and early frosts all contributed to the somewhat lower prospects for some crops indicated on Oct. 1. Aggregate total crop production, however, still promises an output equal to that produced in either of the exceptional years 1942 and 1944. The total is expected to exceed production in the big year, 1943, by about 6% and the 1923-32 "pre-drought" average by 24%. Food grain production is the largest and feed production the second largest on record. The forecast for corn at 3,078 million bushels is not much different than indicated a month ago. Early September weather promoted rapid development, but killing frosts at the end of the month and in early October caught some late corn before maturity.

Prospects fell off during September for some crops that had not already reached maturity, or that were at the harvest stage, namely cotton, sorghums, soybeans, dry beans, and buckwheat. The outlook for corn, peanuts, sugar beets and rice is down in some States, but reductions are more or less offset by gains in other States. Harvest returns disclosed that yields of spring wheat and barley were turning out slightly lower, but yields of oats and flaxseed were exceeding earlier expectations. Tobacco, potatoes, sweetpotatoes and some other crops show net gains over a month ago. September was favorable for pastures and for milk and egg production, but seasonal farming operations were delayed, and once again this season a backlog of work developed. Dry weather would be welcome not only to lessen the threat of spoilage to frost damaged corn, but also to permit resumption of field work, especially harvesting operations and the seeding of winter wheat.

Notwithstanding the lower prospects for some crops, the aggregate total production indicated on Oct. 1 includes record crops of wheat, oats, rice, soybeans, peanuts, tobacco, peaches, pears, early and midseason oranges, grapefruit, almonds, hops and truck crops for market. Near-record crops of hay, potatoes, flaxseed, sugarcane and grapes are expected as well as big crops of corn and sorghum grain, and above average crops of barley and sweetpotatoes. Production estimates for cotton, rye, apples, sugar beets, dry beans and broomcorn are below average, however.

In the Northern States, especially from Wisconsin and Illinois westward to the Cascade Mountains, weather during the last half of September was mostly too cool for proper development of the late crops. Frost and some snow were experienced in the northern Rocky Mountain States from mid-September on, causing damage to feed crops and beans. Toward the close of the month a hard-killing freeze swept across northern Iowa and northern and western Nebraska and southward over the higher altitudes of the Great Plains States. These freezing temperatures struck some areas a week to 10 days earlier than usual and caught an appreciable acreage of corn, sorghums and other crops at various stages of immaturity. The full extent of the damage is not measurable at this time. Weather conditions in the coming weeks will have an important bearing on the final outcome. Locally, large acreages of corn will be diverted to silage, forage, or pasture. Adjustments in feeding practices and kinds of livestock to be fed are bound to result.

Precipitation for September was the heaviest for the month since 1926. It was above normal everywhere, except in the area extending from Texas to California. Beneficial rains fell in the hard red winter wheat States, where soil moisture has been very deficient. Preparation of ground and wheat seeding had been held up because of the dryness, although some wheat was seeded in the dust. These general rains have put the ground in shape for seeding operations and will help germination and early growth of fall sown crops. The rains also benefited the late feed crops and pastures in the Southern sections and improved the outlook for wheat pastures. In some South Atlantic States, the Lake States and in Missouri, Arkansas, and adjacent States excessive rains brought harvesting to a virtual standstill and impaired quality of crops that had reached or were in the harvest stage. Fall plowing and seeding are behind schedule almost everywhere.

Food grain production, including a wheat crop of 1,150 million bushels and a rice crop of 72 million bushels, totals 37 million tons. This estimated output is 2 million tons more than produced in any other year. Only a small part of the bumper wheat crop remains unharvested, the bulk being safely in store. Rice harvest was delayed by heavy rains in Arkansas but made good progress in Louisiana.

The outlook for feed crops is generally favorable. This is true for practically all sections of the country except parts of Texas, New Mexico, and local areas in the Northwest. Areas hit by frosts may have appreciable soft or "wet" corn to utilize in the coming feeding season, and much corn will have to be fed as silage and fooder or used as pasture. Even so, the aggregate tonnage of feed grain crops seems likely to reach 121 million tons. Production of all feed crops, including the big hay crop and a fairly large tonnage of sorghum forage, promises to be the second largest ever produced. The supply of feed grains on farms now, including Oct. 1 farm stocks of corn, barley and oats and production of corn and sorghum grain, totals 123 millon tons, 2 million tons above the supply last year, but 6 million tons below the peak supplies in 1942. Supplies per animal unit appear to be slightly larger than last year and the largest in a record covering 20 years. Pasture condition on Oct. 1 is among the highest ever reported for that date. Green feed was generally abundant during September. Range feed prospects showed more than the usual seasonal decline during the month, but feed conditions are good to very good outside of parts of the Southwest and other limited local areas.

The 1945 cotton crop showed the effects of excessive rains, hot and dry weather and further boll weevil damage. The October forecast was for 9,779 thousand bales, down 247 thousand bales from the estimate a month ago. Tobacco still holds promise for a crop of over 2 billion pounds. The late crop made progress and tobacco harvest is well advanced considering the difficulties experienced from weather. Wet weather was detrimental to peanuts in the South Atlantic States, to soybeans in the East North Central States, and to dry beans in Michigan and New York. Frosts hit beans in the Western States, and checked the late potatoes in Maine. Potatoes, however, improved in the Central and Western States. Sugar crops continued to make good progress.

Total farm production of livestock and livestock products in 1945 seems to be about the same as the aggregate volume produced last year, but about 5% below the all-time high in 1943. Production is expected to be second or third largest volume on record. Based on the size of the 1945 crops of pigs, lambs and calves, the number of chicks and turkeys hatched, and marketing weights for meat animals and poultry, farm production of cattle, hogs, sheep and poultry for the current calendar year should approximate 45 billion pounds live weight. This total would be about 6 billion pounds below the record output of 1943, slightly less than production in 1944 or 1942, but substantially larger than in any other year. Milk production promises to establish a new record. With production per cow at or near the highest level ever attained, the total volume for the year seems likely to hit 123 billion pounds. Production for the first nine months of 1945 totals 97.2 billion pounds, up over 4 billion pounds from production in the same period last year. Farm poultry flocks have been exceptionally productive so far this season with the number of eggs laid per 100 hens a record level. Although the average number of layers was 8% smaller, egg production for the first three quarters of this year was only 5% below that of the corresponding period last year. Production for 1945 may be expected to reach about 4.6 billion dozen eggs. A production of this size would be second only to the 1944 record.

This season's total fruit production, including citrus crops from the 1945 bloom is expected to be about 5% less than last season, but about 17% greater than average. A record citrus production, 5% above last season, is in prospect. All oranges are indicated to be 3% less but grapefruit 23% more than last season. The crops of peaches, pears and sweet cherries were record highs while apples and sour cherries were record lows. Combined production of the principal deciduous fruits is 13% below last year and 2% below average.

Production of cultivated tree nuts (walnuts, pecans, almonds, filberts) in 1945 is indicated to be slightly larger than in 1944 and about one-third greater than average.

With harvest of commercial truck crops moving into the fall producing areas, it now appears reasonably certain that aggregate production for the entire year will establish a new high record—probably about 5% above last year's record and 27% above average. Production during the winter was about 7% less than in 1944 and in the summer about 2% less. But a 6% increase in spring production and an indicated 31% larger fall outturn are sufficient to bring about the 5% increase for the year. Abundant supplies of commercial truck crops for the fresh market are in prospect for this fall. Except for celery, indicated fall-season production of each crop is well above that of 1944, and except for green peas is considerably above average. Aggregate production of fall crops is now indicated to be 31% greater than in 1944 and 48% above average.

The harvesting of late vegetables for processing continued quite active through September. Oct. 1 prospects appeared favorable for an aggregate tonnage of the eight processing vegetables (canning beets, green lima beans, snap beans, kraut cabbage, green peas, sweet corn, pimientos, and tomates) of about 5,300,000 tons for this season, which is 4% larger than production in 1944 and 41% above the 10-year average.

Tomato production prospects improved slightly during September, and the same is true for Georgia pimientos. A record high production of green lima beans is in prospect. The other vegetable crops are not expected to quite reach the production levels indicated on Sept. 1.

Production of 21 kinds of clover, grass, and winter-cover crop seeds, for which production forecasts have already been made, totals 470.2 million pounds of clean seed, and is indicated to be 2% larger than in 1944 (460.3 million pounds), and 13% larger than the 10-year (1934-1943) average of about 417.4 million pounds. The above-average production this year is attributed entirely to an expansion in acreage, which more than offsets the below-average yields per acre. The marked expansion in acreage this year and last resulted largely from attractive support prices, and acreage and poundage payments for important kinds of seeds.

It is estimated that 4.3 million acres of 21 seed crops (not including alfalfa, lespedeza, and Sudan grass feed, for which production forecasts are to be made this month) will be harvested this year, compared with 4.4 million last year, and the average of 3.4 million. Unusually wet weather occurred at harvest time which not only reduced yields but also curtailed the acreage harvested. Even with the unfavorable late summer and early fall weather this year, in sharp contrast with the favorable weather last year, supplies of relatively few seeds, such as alfalfa, alsike clover, white clover, and Kentucky bluegrass, are expected to fall short of meeting the requirements in 1946.

Corn—Earlier prospects for another 3 billion bushel corn crop were strengthened during September. Frosts occurred near the usual dates in northern and western portions of the main crop-producing area, where a considerable proportion of the acreage was vulnerable to frost damage because it had been planted late. But the major portion of the corn acreage on Oct. 1 either had not yet been touched by killing frost or was sufficiently mature to escape serious damage. By Oct. 10 killing frosts had occurred in the major portion of the Corn Belt. Dry warm weather is now needed to mature the grain and reduce the high moisture content of the ears.

Corn production is estimated at 3,078 million bushels on the basis of Oct. 1 conditions. This is an improvement of 9 million bushels over the Sept. 1 forecast. Such a crop would be the third largest of record, exceeded only in 1942 and 1944. The average yield of 33.4 bushels per harvested acre compares with 33.3 bushels forecast on Sept. 1, with 33.2 bushels in 1944, and the average of 26.8 bushels, and was exceeded only in 1942. These estimates of production and yield include corn for all purposes—for grain, silage, forage, hogging and grazing.

Development of the crop was benefited by favorable weather during the first third of September, but the remainder of the month was rainy and temperatures were below normal. As a result corn in Northern States continued green and growing, with ears containing a high proportion of moisture. Light frosts in some areas tended to check growth, while severe frosts in Northern and Western States killed much immature corn. Salvage operations of cutting corn for silage and forage were hampered sometimes by rain and muddy fields. Most of the immature or soft corn resulting from frosts in Michigan, Wisconsin, North Dakota, South Dakota, and Nebraska is in areas which have sufficient livestock to utilize it. Farmers are prepared to salvage this corn as silage and fodder, or by hogging and grazing. Few of these areas are normally producers of cash corn. A serious situation is likely to develop in southern Minnesota and extreme northern Iowa where a large proportion of the acreage is immature and will produce soft or at least chaffy corn in excess of amounts which can be fed locally. A frost-free October would have been necessary for all corn to mature in Missouri and adjacent portions of southern and western Illinois, southeastern Nebraska, and northeastern Kansas; thus immature corn will be a problem in parts or all of this area, where light to heavy frosts were recorded on Oct. 8 and 9. The ultimate effect on yield in these areas depends upon whether the fall weather will be favorable for curing the high moisture grain.

North Central States account for 2,351 million bushels, or 8% less than production in these States in 1944. Thus these States account for 76% of the total 1944 corn crop. In spite of an extremely unfavorable planting season and a rather rainy and cool growing season, the crop made unexpected progress until frosts occurred at near the usual dates in much of the region. Yield prospects improved over a month ago in Indiana, which is producing an all time record crop, in Illinois, Michigan, Wisconsin, Minnesota, Missouri and South Dakota sufficiently to more than offset declines in Ohio, Nebraska and Kansas, with Iowa and North Dakota unchanged.

Slight gains were registered since Sept. 1 in corn production prospects in eastern New England while other North Atlantic States showed no change. Most of the acreage in these States is utilized for silage and forage. The South Atlantic region showed increased production prospects, due to gains in Virginia, West Virginia and Florida, while prospects were maintained in other States. Gains of a half-bushel in yields in Tennessee, Alabama, and Arkansas more than offset a bushel decline in the Texas corn yield, while other South Central States maintained earlier prospects. Several of these States are making record average yields and production this year. Frost damage in many Western States tended to reduce yields, particularly in Colorado, Wyoming and Idaho, but yields improved in New Mexico and Oregon.

Corn to be harvested for grain is currently estimated at 2,680 million bushels, approximately 87% of the estimated total production of all corn. This compared with 2,910 million bushels for grain in 1944, which was 90% of all corn production. This preliminary estimate is made for the second year, so that comparisons with feed supplies in previous years may be made before the usual December estimates.

Farm Stocks — Stocks of 307 million bushels of old corn remained on farms Oct. 1, equivalent to 10.5% of the record 1944 production. Though nearly 50% larger than the relatively low stocks a year ago, these stocks are smaller than on Oct. 1 of any of the preceding six years, and slightly below the 1934-43 average for the date. Disappearance of 441 million bushels from farms since July 1 is the heaviest on record for the July-October quarter. The average is 262 million bushels. Farm supplies of corn at the start of the October feeding season thus reach 2,987 million bushels when these stocks are added to the estimated corn for grain from the new crop, compared with 3,116 million bushels a year ago and 3,084 million on Oct. 1, 1943.

Wheat—Production of **all wheat,** now indicated at 1,149,825,000 bushels, remains the largest on record, exceeding the previous record crop of 1,078,647,000 last year by nearly 7%. All spring wheat production of 312,856,000 bushels is nearly equal to last year's crop of 314,574,000 bushels. The decline from last month in the estimate of all spring wheat production is a little less than 2½ million bushels. This was due to some harvesting losses which, however, were moderate and occurred in only limited areas. Weather in general was very favorable for harvest. Some sprouting of unthreshed grain occurred in northern Minnesota and parts of North Dakota, and there was some shattering of standing grain. Compared with such losses in recent years of heavy crops, however, the losses this year were comparatively small, and an unusually high percentage of the crop was completely garnered.

Other spring wheat production is estimated at 279,885,000 bushels, slightly under last year's 282,641,000 bushel crop. **Durum wheat** production of 32,971,000 bushels is a little above last year's production of 31,933,000 bushels.

The all spring wheat yield of 16.9 bushels per acre equals last year's yield of 16.9 bushels, and has been exceeded in only three previous years. The durum wheat yield of 17.4 bushels per acre is 2.3 bushels above last year, and has been exceeded in only one other year of record. The other spring wheat yield of 16.8 bushels per acre is nearly half a bushel below last year, but has been exceeded in only four other years of record. The decline in the all-spring wheat yield of one-tenth of a bushel per acre since Sept. 1 is due primarily to declines in other spring wheat yields in North and South Dakota. Oct. 1 yield estimates are higher than last month in the Mountain and Pacific Northwest States. This year the unusual situation of durum wheat yielding above other spring occurred in the Dakotas. Durum out-yielded other spring by 1½ bushels per acre in North Dakota and one-half bushel in South Dakota, while in Minnesota the durum yield is 2½ bushels under other spring.

The indicated production of wheat by classes is hard red winter, 524,000,000 bushels; soft red winter, 243,065,000; hard red spring, 242,397,000; durum, 33,784,000, and white wheat, 106,579,000 bushels. This year's big wheat crop is reflected in larger production than last year in each class of wheat except hard red spring, particularly in the hard red winter and soft red winter classes.

Farm Stocks of Wheat—Stocks of wheat on farms Oct. 1 are estimated at 539,217,000 bushels, compared with 532,270,000 bushels on the same date a year ago, and the 10-year 1934-43) average of 378,441,000 bushels. Although stocks remaining on farms are higher than any other year of record excepting the 640 million bushels on Oct. 1, 1942, the stocks in per cent. of production are comparatively low. Disappearance of wheat from farms is the highest on record for the first quarter of the crop marketing year—8% larger than last year and two-fifths larger than average.

Oats—The nation's first 1½ billion bushel oats crop has been attained. The current estimate of 1,583,650,000 bushels exceeds the previous record crop of 1920 by 139 million bushels. The current production exceeds the 1944 production of 1,166,392,000 bushels by 36%, and is about one-half larger than the 1934-43 average.

The season was exceptionally favorable for oats. Moderate temperatures and abundant moisture in main producing areas prolonged the period for development of grain, resulting in high test weight and large yields per acre. Yield per acre equals or exceeds the 1934-43 average in most States. Below average yields are estimated for the northern New England States, New Jersey, Missouri, Kansas, and Oklahoma. Very high yields were attained in the northern Corn Belt States. Yields lower than in 1944 are estimated in New York and New Jersey and in States westward from the Plains.

New record yields per acre for oats for grain are estimated in the following States: Wisconsin, 51.5; Minnesota, 46.0; South Dakota, 43.0; Illinois at 48.0 bushels equals the previous record.

Oats Stocks on Farms: Oct. 1 stocks of oats on farms are estimated at 1,318,666,000 bushels, equivalent to 83.3% of the 1945 crop. This is more than one-third above the 950,861 bushels held last year and about a half larger than the 1934-43 average. Stocks are above average everywhere except in the North Atlantic region. They exceed last year everywhere except in the North Atlantic and Western regions. The large crop and late harvest have made stocks high both in bushels and in percentage of crop.

Disappearance from the 1945 supply on farms (the July 1 farm stocks plus the 1945 production) totaled 476,242,000 bushels. This is above the disappearance of 400,824,000 bushels during the corresponding quarter of 1944, and the 363,641,000 bushels average for the quarter.

Barley—Barley production, estimated at 277,246,000 bushels, is only slightly changed from a month ago. The crop this year is about 2½% less than in 1944, but is about 1½% above the 1934-43 average, despite a much smaller acreage for harvest than last year or the average. The indicated yield of 26.1 bushels per acre is the highest since 1915. This high yield is about 3 bushels per acre above last year and almost 4 bushels per acre above the 10-year average.

Most States indicated no change in yield from last month. The most significant change was in Wisconsin where yields are turning out considerably better than expected and a yield of 39.5 bushels per acre is indicated compared with 38.0 bushels forecast last month. Michigan yields are slightly above a month ago, while all other North Central States show no change from that indicated on Sept. 1. The season generally has been very favorable, especially in the heavy producing area of the North Central States. Most of the crop had been harvested before the heavy September rains fell.

Stocks of barley on farms Oct. 1, 1945, amounted to 174,315,000 bushels, equivalent to about 63% of the 1945 production. This compares with 185,420,000 bushels, or 65% of the 1944 production, on hand Oct. 1, 1944, the first year for which barley stocks were estimated as of Oct. 1.

Rye stocks farms Oct. 1 are indicated at 14,381,000 bushels, equivalent to 52% of the 1945 production. On Oct. 1, 1944 farm stocks were 16,314,000 bushels, or 63% of the 1944 production. Notable this year is the very low percentage of the crop still on farms Oct. 1 in the principal rye-producing States of the Great Plains. In contrast, a larger percent than a year ago remains on farms in the East North Central States and in the South where a relatively higher percentage is needed for seed, and where adverse weather has delayed seeding this fall. Large rail shipments of rye are reported from States with marketable surpluses. Farm stocks of rye on Oct. 1 have been estimated only in 1944 and 1945.

Potatoes—A potato crop of 435,395,000 bushels is indicated for the Nation. In 1944 the crop amounted to 379,436,000 bushels and production averaged 375,091,000 bushels during the 10-year (1934-43) period. Even though the prospective national crop increased 2½ million bushels during September, there was a drop of about 3 million bushels in the Maine prospective crop. This decline was more than offset by improved prospects in some of the Central and Western States.

A crop of 303,264,000 bushels is indicated for the 18 surplus late States, compared with 271,479,000 bushels in 1944 and the 10-year average of 257,604,000 bushels. Production for these States amounted to 328,581,000 bushels in 1943, the record potato crop year.

In Maine, the crop failed to make good growth after Sept. 1. Tuber growth was limited by aphis and flea beetles. In Aroostook County, killing frosts terminated the growth of potatoes on Sept. 18 and reduced production from that expected earlier in the season from the late acreage in this area. However, the Maine crop shows unusually good quality. On Long Island, quality and size of potatoes harvested this year have been good. About four-fifths of the crop was harvested by Oct. 1. Yields of Green Mountains and other late varieties are exceeding earlier expectations. In up-state New York, potatoes have suffered heavily from blight and insect damage this season. Only in properly sprayed fields on high lands are satisfactory yields being secured. Digging was delayed by rains during the latter part of September. Potato yields in Pennsylvania are spotted but slight improvement occurred during September following beneficial rains in the western counties. However, digging has been delayed by these continued rains and some rot has developed in low lying fields.

Digging of the Michigan crop is running behind schedule because of wet weather since mid-September. The mid-September frost in the commercial area has resulted in a larger proportion of small potatoes than was produced last year. In Wisconsin, the crop has made large production but quality is doubtful because of reported grubworm damage and some late blight rot. In Minnesota, yields are generally high, especially on the heavier soils. However, considerable blight, ring rot and other disease damage is noticeable in the extreme northern part of the Valley, particularly on the lighter soils. Excessive rainfall in much of the northern section of the State is delaying digging and could result in considerable rot and possibly frost damage if potatoes cannot be dug soon. A good crop of excellent quality potatoes is being harvested in North Dakota. Digging will be prolonged at least to Oct. 20, and the possibility of field losses from severe freezes is increased by the lateness of the season.

Nebraska is the only late Western State for which the crop now indicated is below prospects on Sept. 1. Prospective yields in some areas of this State were cut by frosts. In Montana, growth continued generally until late in September when killing frosts occurred in all parts of the State. In the main late-producing sections of Idaho, frosts had killed nearly all the vines by the end of September. However, there apparently had been no freeze damage to tubers prior to Oct. 1. Maturity of the crop was hastened by early frosts, thus permitting harvesting for storage earlier than would have otherwise been possible. This extension of the harvesting season was welcomed as the supply of labor for harvesting the crop is limited. Quality of the Idaho crop is variable with many rough potatoes produced in fields planted early. Tubers from later plantings are generally smooth but small. Harvest in the San Luis Valley of Colorado got under way rapidly as vines were killed by early frost. Quality of potatoes in the Valley is exceptionally good. In northern Colorado, frost caused vines to die earlier than usual but harvesting operations were not being rushed by late September.

The prospective crop of each of the Pacific Coast States exceeds Sept. 1 indications. In the central irrigated sections and in the delta and sub-irrigated farming sections of western Washington, indicated yields are higher than those expected a month ago. Digging of late varieties had started by Oct. 1. In the Crook-Deschutes area of Oregon, a very good crop is expected. Yields in the Klamath Basin area will not equal the very good yields harvested in 1944. The early crop in Malheur County produced good yields. Potatoes now being harvested in Oregon are grading out well and the quality is good. In the Tule Lake area of California, the size of tubers increased, thus improving yield prospects. Killing frosts were later than usual.

Production indicated for the 5 other late New England States is only slightly higher than the September estimate. Reduced prospects in New Hampshire were more than offset by improved prospects in Massachusetts and Connecticut. Yields in these States are about average but range from rather high in some commercial areas of Connecticut and Massachusetts to light in the Connecticut Valley area of Massachusetts and in southern and western Vermont. Estimated production in the 5 other late Central States exceeds the crop forecast a month ago. Yields in prospect for Ohio, Indiana, and Illinois are higher than those indicated Sept. 1. Wet fields have delayed digging in most of these Central States and there is some possibility of loss from rot.

Here and There

(Continued from first page)

cause a rise in the public debt. But what is not realized is that even the resulting huge deficit estimate assumes a national income of $157 billion, that any reduction in national income in 1946, or sizable income reductions in subsequent years will prolong unbearable deficits; and that hence the most drastic cutting of government expenses is absolutely vital to avoid disaster.

A national income of $157 billion is required to keep the 1946 deficit even down to the $35 billion level; and, according to Secretary Vinson, hope of 1948 budget-balancing anticipates absence of further tax-rate reduction plus national income of at least $130 billion. But, realistically, can we assume maintenance of our national income at or anywhere near the present level? Our present figure is almost double that in the 1929 boom and is 60% greater than in 1939 (expressed in equivalent dollars). It assumes production triple that of 1933 and 70% higher than in 1940—in the face of the rapid exit of the Government as main customer.

Of course, the current assumption is that the slack will be permanently taken up by private consumption filling the "void" created by wartime alleged "underconsumption." But assuming previous underconsumption is wholly fallacious, actually sales at food and apparel stores have been double the 1935-1939 average and total consumer expenditures having during this year been running 50% ahead of 1939 and 1940. Hence, long-term maintenance of national income to result from the satisfaction of "consumer starvation," at a level to support budgetary expenditures above the $15 billion level, is extremely dubious. The Government expense accounts must be "atomized"—in 1946 and the future.

* * *

The excess profits tax of World War I was not abolished until 1922. But if our present Congress really wants to take a major step in curbing inflation, it will completely eliminate our excess profits tax, effective at the end of this year. Surely there can be no contradiction that this tax vitiates prudence and rationality in business outlays for general expenses, including salaries (with "10-cent dollars") and thus additionally enlarges the flood of consumer spending.

The tax also contains some little-realized evils. It actually penalizes "smallness" rather than "bigness" in the case of the corporation as well as the investor. It undermines the reserves and general financial soundness of medium-sized and small business and thus hinders capital-financing. In preventing business expansion it will interfere with reemployment. Vitally important is the injurious repercussion on the legitimate investor. In obstructing the accumulation of adequate corporate reserves, it undermines the position of the holder of bonds and preferred stock; in the case of the common stockholder it additionally prevents him from reaping needed cyclical profits and from benefitting from "growth" enterprises—thus forcing him into the futile position of having all to lose and very little to gain.

In any event, surely companies organized this year and thereafter should be exempted from all excess profits taxation.

* * *

The traditional British laissez-faire attitude toward financial regulation is exemplified in the Cohen Committee's report—the first consideration of the financial laws since the Company Law amendments were passed in 1929. In direct contrast to SEC policy, which from its inception has focussed its most drastic control directly on the stock exchanges, the new British report recommends continuation of the government's complete abstinence from concern with the exchanges. It reaffirms the wide delegation of general financial supervision, including discretionary regulation over new issues, to the London Stock Exchange. This maintains uninterrupted the finding of the royal commission investigating the London Exchange in 1877 that "it should be left free to continue its honest and upright service."

In the matter of keeping shareholders informed on their companies' current affairs, the Cohen report likewise continues the former comparative laxity. It suggests no compulsion toward standardization or uniformity in the method of reporting.

* * *

As was the case at San Francisco—although the rift with the Soviet at the London Conference was made to appear merely procedural, actually the continuing controversies with M. Molotov et al are based on fundamental, substantive and long-term differences in policy. Simply stated: shall the world be ruled by the Big Three (not even Five) Powers, with Russia retaining her "veto" power; or by all the United Nations in the spirit of the new league with whose activities they have been so strongly urged to cooperate? The more realistically this difference is understood by the public—without ideological sugarcoating—the more constructively can action be taken.

Steel Output in Sept. Close to Peak in 1929

Steel production in September, the first full month after the end of the war, climbed back to a total of 6,008,403 tons, just 351 tons below the peak month of 1929, which still stands as the best peacetime year for steel production on record, according to the American Iron and Steel Institute, which further reported as follows:

The report of September production showed output during the month rose nearly 5% over the August total of 5,736,376 tons. In September 1944, however, production was 7,235.111 tons. For the first nine months of this year production of 61.886.532 tons was more than 8% below output of 67,375,801 tons in the corresponding period in 1944.

The State of Trade

(Continued from page 1867)

This week's operating rate is equivalent to 1,214,400 tons of steel ingots and castings, and compares with 1,346,300 tons one week ago, 1,523,900 tons one month ago and 1,745,000 tons one year ago.

Railroad Freight Loading—Carloadings of revenue freight for the week ended Oct. 6, 1945, total 767,985 cars, the Association of American Railroads announced. This was a decrease of 64,278 cars, or 7.7% below the preceding week this year, but 109,050 cars, or 12.4% below the corresponding week of 1944. Compared with a similar period of 1943, a decrease of 138,372 cars, or 15.3% is shown.

Electric Production — The Edison Electric Institute reports that the output of electricity increased to approximately 4,028,286,000 kwh. in the week ended Oct. 6, 1945, from 4,038,542,000 kwh. in the preceding week. Output for the week ended Oct. 6, 1945, was 7.9% below that for the corresponding weekly period one year ago.

Consolidated Edison Co. of New York reports system output of 173,300,000 kwh. in the week ended Oct. 7, 1945, comparing with 176,300,000 kwh. for the corresponding week of 1944, or a decrease of 1.7%

Local distribution of electricity amounted to 172,600,000 kwh., compared with 167,600,000 kwh. for the corresponding week of last year, an increase of 2.9%.

Paper and Paperboard Production — Paper production in the United States for the week ending Oct. 6, was 97.6% of mill capacity, against 98.1% in the preceding week and 93.4% in the like 1944 week, according to the American Paper & Pulp Association. Paperboard output for the current week was 95%, compared with 96% in the preceding week and 96% in the like 1944 week.

Business Failures Remain Low—In the week ending Oct. 11, commercial and industrial failures varied by only one from the number in the previous week, reports Dun & Bradstreet, Inc. This marked the third consecutive week that failures have continued at a low level with little change. Concerns failing numbered 12 as compared with 13 last week and 15 in the corresponding week of last year.

No change occurred in large failures involving liabilities of $5,000 or more. At 10, they remained the same as a week ago and also the same as in the comparable week of 1944. Two small concerns failed this week with liabilities under $5,000 — there were 3 in the previous week and 5 a year ago.

Manufacturing failures after continuing at a negligible number for two weeks rebounded to 7 in the week just ended. In retail trade, 3 concerns failed so that manufacturing and retail trade together accounted for 10 of the week's 12 failures. A decline occurred in the number of concerns failing in construction, from 4 last week to only 1 this week.

Only 1 Canadian failure was reported against 1 both in the previous week and in the corresponding week of last year.

Wholesale Commodity Price Index—The general level of prices continued to move upward last week. Rising to 178.49 on Oct. 9, the daily wholesale Commodity price index, compiled by Dun & Bradstreet, Inc., was only slightly below the war-time peak of 178.56 registered on July 16. This compared with 177.50 on Oct. 2, and with 173.32 on the corresponding date last year.

Grain markets again showed strength largely influenced by the inflationary aspects of pending legislation in Washington. Wheat sold at about the highest prices in twenty years. A leading factor in the rise was said to be the huge potential foreign demand for United States wheat. Rye and barley established new highs for the season. Corn prices held close to ceilings, aided by reports of killing frosts. Country movement of corn was somewhat improved although still slow. Oats were in good demand due to current scarcity of corn offerings. Flour demand was slow with moderate bookings for the week. Prices held firm due to strength in cash wheat. Government shipping directions were more active. Hogs were still in demand and restricted market receipts were readily cleared at ceiling prices. Cattle prices were strong reflecting active demand and light receipts.

Paced by active demand from mills, commission houses and trade interests, volume of trading in cotton futures markets last week reached the best proportions in many months. All active futures contracts rose sharply to register new seasonal peaks. Spot prices also scored good gains although trading in Southern spot markets continued to lag somewhat.

Confirming the estimates of private forecasters, the Oct. 1 report of the U. S. Department of Agriculture indicated a total crop production this year of 9,779,000 bales.

Domestic wools continued in slow demand in the Boston market. With no further developments reported in price reductions on offerings of CCC held wools, buying of both domestic and foreign wools remained very cautious. There were numerous inquiries for fine foreign wools against prospective large requirements for civilian goods. In foreign primary markets all offerings on which spot or nearby delivery could be promised were readily taken up at strong prices.

Wholesale Food Price Index Declines—The wholesale food price index, compiled by Dun & Bradstreet, Inc., fell back 1 cent the past week to stand at $4.06 as of Oct. 9. While up 1.2% from last year's $4.01, the current figure is identical with that recorded on the similar date two years ago. Advances this week occurred in wheat, rye, potatoes and hogs, while oats, peas and sheep declined.

The index represents the sum total of the price per pound of 31 foods in general use.

Retail and Wholesale Trade—Shoppers turned out last week in spite of unfavorable shopping weather. Retail volume for the county at large was estimated as slightly above that of the preceding week and of the corresponding 1944 week. According to Dun & Bradstreet, Inc. Demand continued strong for fall styles in women's apparel. Junior and children's styles are receiving increasing promotional emphasis. Food volume climbed over last week's and last year's figures as supplies increased in most lines.

Rain in many parts of the country boosted sales of umbrellas, raincoats, and galoshes. Coats and suits of all types were readily purchased. The demand for fur coats was spotty; there is evidence that consumers are waiting for the removal of the fur tax. Warm items in negligees and lingerie were heavily demanded but consumers continued to find stocks low. Main floor departments reported active selling of blouses, budget millinery, and jewelry. Sales of gloves increased in both dressy and casual styles. Children's matched accessories, snow suits and out-of-doors clothes increased.

Piece goods sales rose and an increased demand for wool and worsted cloth was in evidence. Flannels were available to a limited degree and nylon converted chute fabrics quickly sold where offered.

Demand for fish heretofore stimulated by the scarcity of meat, dropped sharply as meat supplies became easier. Pork and lamb are about the only scarce meats now. Good grade beef supplies decreased somewhat from last week. Consumers found it easier to obtain fine quality vegetables and fruits, with the exception of those approaching the end of their season. The supply of brown sugar, tablet sugar, and confectioners' sugar has increased to a small degree, but stable granulated sugar remains scarce.

Washers, ironers, and electrical appliances are moving in small quantities, while furniture volume is slightly above a year ago.

Retail volume for the country was estimated at from 4 to 9% over a year ago. Regional percentage increases were: New England 3 to 7, East 4 to 9, Middle West 6 to 10, Northwest 4 to 8, South 1 to 5, Southwest 8 to 12, Pacific Coast 2 to 6.

Wholesale trade volume last week increased only slightly over the previous week. The volume was also slightly higher than a year ago. Stocks of many types of merchandise continued low. Deliveries generally remained uncertain and slow. Buying was concentrated on better quality goods; volume in markets showing low priced goods was below the level of a year ago. Buyers appeared in apparel markets in greater numbers than a week earlier. Stocks of most food products have eased further over previous weeks.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Oct. 6, 1945, increased by 11% above the same period of last year. This compared with an increase of 7% (revised figure) in the preceding week. For the four weeks ended Oct. 6, 1945, sales increased by 10% and for the year to date showed an increase of 11%.

Retail trade here in New York the past week responded to the stimulus of brisk fall weather. The Columbus Day holiday also contributed in a large way to increase sales volume. In the textile markets incoming buyers were restricted to their regular allotments of merchandise with mills reporting their output already committed for the next 90 days. In fact there was a reluctance on the part of mills to book business beyond that period. Shoe buyers at the spring exhibits here displayed disappointment over the scarcity of offerings for nearby deliveries.

According to the Federal Reserve Bank's index department store sales in New York City for the weekly period to Oct. 6, 1945, increased by 15% above the same period of last year. This compared with an increase of 2% in the preceding week. For the four weeks ended Oct. 6, 1945, sales rose by 11% and for the year to date increased by 12%.

Mrs. Truman Honorary Red Cross Chairman

Following in the tradition started by Mrs. William Howard Taft when her husband was President, Mrs. Harry S. Truman has become Honorary Chairman of the National Committee on Volunteer Service of the Red Cross a Washington dispatch to the New York "Times" stated, Oct. 2. Since the days of Mrs. Taft it has been the custom for the First Lady to hold this position, relinquishing it to become an Honorary Vice-President of the Committee when her husband left the White House. Mrs. Truman will act as Chairman at the next meeting of the committee, Nov. 6 to 9, the "Times" stated, when the post-war work of Red Cross volunteers will be under consideration. The Red Cross gave Mrs. Truman's record of service for that organization, as a volunteer Motor Corps driver in the Independence Branch, Kansas City, Mo., Chapter, and as a member of the Senate ladies' surgical dressing unit here. Mrs. Mason Colt, who was in charge of Red Cross work in England and Western Europe, visiting the freed concentration camps of Germany, is new Chairman of Red Cross Voluntary Services.

Krug Foresees Civilian Production At Double the Prewar Volume

(Continued from first page)

86,338 tanks and 2,434,553 trucks.

Navy fire power increased ten-fold in five years.

The merchant fleet was quadrupled.

The total output of goods (war and civilian) and services rose by more than 50%. The volume of manufacturing nearly tripled. Output of raw materials increased 60%.

Total civilian production remained above the levels of 1937 and 1939, despite the fact that manufacture of automobiles, refrigerators and washing machines and many other products was halted.

Employment in manufacturing alone increased by 6,407,000 persons from 1939 to 1944. Aircraft employment grew from 100,000 to 2,000,000.

Reporting on technological progress, Mr. Krug pointed out, according to the "Wall Street Journal," that manufactures learned during the war how they could turn out products more efficiently, cheaply and speedily than in the past through development of numerous new techniques, and that as a result of this, many companies expect a higher output per employee than before the war. Citing the automobile industry as an example, predictions there are of a gain of 11% in output per worker.

With the road back to full civilian production appreciably smoothed by months of hard preliminary work by WPB and other Government procurement agencies, industry is now ready to meet the long-pentup demand for civilian goods by doubling its production records of 1939, Chairman J. A. Krug said Oct. 5 in presenting his second report on the "Progress of Reconversion."

Actual August, 1945, civilian production of these selected and product industries was up to 51% of the average month base period of 1939; September production is estimated to be 50%; the forecast for December, 1945, is for 153%, and for June, 1946, it is expected to be 238% of the 1939 base figure.

In making his report public, Chairman Krug emphasized that the figures he gave represented what industry felt it should be able to do between now and the end of the first half of 1946. He pointed out that their optimistic forecasts must be studied in the light of many possible complications such as are involved in the present wage and price problems which might retard the accomplishment of the production levels indicated. The report, he said, should be viewed as an indication of what industry expects to do assuming the wage and price problems are promptly solved.

Mr. Krug said WPB's second "Progress of Reconversion" report should not be compared to the first issued about a month ago, inasmuch as the most recent report covers a much broader field, 59 industries instead of the 42 treated in the earlier survey, and the percentage increase is on a different base.

The second "Progress of Reconversion" report, which includes a brief summary, is divided into two tables. Table I presents the anticipated civilian production picture (in units) by 1,222 companies which comprise a satisfactory cross section of the 59 industries covered. Table II presents this anticipated production in dollar volume at factory sale prices, and, based upon the company reports in Table I, are projected to include all units of each of the 59 industries.

In a recapitulation of the tables, the average monthly dollar production for 1939 is $405,250,000. The actual August, 1945, production was $210,174,000, estimated for September, $245,421,000 and the forecasts for December, 1945, and for June, 1946, are $620,769,000 and $965,119,000, respectively.

Chairman Krug emphasized that the report is solely "an indication of the trend of reconversion progress." He explained that in order to get an up-to-the-minute picture of reconversion progress through the nation from the 1,222 companies reporting, data on 861 were gathered by telephone or taken from WPB forms, 295 were obtained from trade associations, and 66 are estimates of WPB industry divisions. The projections of these forecasts in Table II are made on a basis of 10,822 companies.

Commenting on the overall optimistic tone of the forecasts, the WPB Chairman said "that much of this could be attributed to the long and arduous spade work done by industry and Government agencies in the months before V-E Day."

"Government and industry working together," he said, "have done a fine job along several important lines. Notable among these was the careful distribution of contract cancellations between V-E and V-J Day so as to reduce to a minimum any maladjustment that might occur in employment and production." He also emphasized that much excellent work had been done in contract terminations and plant clearance by the industries and Government agencies concerned, which had permitted a quick shift into high gear in many cases of civilian production.

Truman Urges Added Employment Opportunities For Disabled Persons

The week of Oct. 7-13 this year was proclaimed by President Truman as "National Employ the Physically Handicapped Week," with a view to a nation-wide drive to find jobs for disabled persons. The drive was undertaken under sponsorship of the United States Employment Service, U. S. Department of Labor. Aid for the physically handicapped is particularly important in times of economic stress, Lewis B. Schwellenbach, Secretary of Labor, said. The Presidential proclamation urged all governors, mayors, Federal officials and agencies and industrial, labor and educational leaders to cooperate in the national campaign which was initiated by a joint resolution of Congress. The resolution stipulated that hereafter the first week in October of each year shall be designated as "National Employ the Physically Handicapped Week."

Support of the campaign's objectives has been expressed by General Omar D. Bradley, administrator of the Veterans Administration, and Paul V. McNutt, former War Manpower Commission chairman and USES chief during the war. "The handicapped helped win the war. They deserve an equal peacetime job opportunity," Mr. McNutt said, while General Bradley pointed out that the disabled veteran should have first call on the nation's consideration. "Give them their chance and they'll deliver the goods," he said.

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table.

MOODY'S BOND PRICES†
(Based on Average Yields)

1945— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.
Oct. 16	122.75	116.41	120.63	119.20	116.41	109.60	112.56	116.41	120.02
15	122.75	116.41	120.84	119.20	116.41	109.42	112.56	116.41	120.02
13	Exchange closed								
12	Exchange closed								
11	122.76	116.22	120.84	119.00	116.22	109.42	112.56	116.22	120.02
10	122.78	116.22	120.84	119.00	116.22	109.42	112.37	116.22	120.02
9	122.81	116.22	120.84	119.00	116.22	109.24	112.37	116.22	120.02
8	122.78	116.22	120.84	118.80	116.22	109.24	112.37	116.22	120.02
6	122.72	116.22	120.84	119.00	116.22	109.24	112.37	116.22	120.02
5	122.56	116.22	120.84	119.00	116.22	109.24	112.37	116.22	120.02
4	122.42	116.02	120.84	119.00	116.02	109.06	112.37	116.22	120.02
3	122.41	116.02	120.84	119.00	116.02	108.88	112.19	116.22	120.02
2	122.31	116.02	120.84	118.80	115.82	108.88	112.19	116.02	119.82
1	122.25	116.02	120.63	118.80	116.02	108.88	112.19	116.02	119.82
Sept. 28	122.19	116.02	120.84	118.80	115.82	108.88	112.19	116.02	119.82
21	121.97	115.82	120.43	118.80	116.02	108.88	112.19	116.02	119.61
14	121.98	116.02	120.84	118.80	116.02	108.70	112.19	116.22	119.61
7	122.09	116.02	120.63	119.20	116.22	108.52	112.37	116.02	119.61
Aug. 31	122.09	116.02	120.84	119.00	116.22	108.52	112.56	116.02	119.41
24	121.91	115.82	120.63	119.00	116.02	108.16	112.56	115.63	119.41
17	121.91	115.82	120.84	119.00	116.22	108.16	112.56	115.82	119.41
10	122.14	116.02	121.04	119.20	116.02	108.34	112.93	115.82	119.41
3	122.36	115.82	120.84	119.20	116.02	108.16	112.93	115.82	119.00
July 27	122.39	115.82	120.84	119.20	115.82	108.16	112.93	115.63	119.00
20	122.80	116.02	121.04	119.41	116.02	108.34	112.93	115.63	119.41
13	122.89	116.22	121.04	119.61	116.22	108.34	113.31	115.63	119.61
6	122.92	116.02	121.04	119.41	116.02	108.16	112.93	115.63	119.61
June 29	122.93	116.02	121.04	119.20	116.02	108.16	112.93	115.43	119.41
May 25	122.29	115.43	120.63	118.80	115.43	107.44	112.19	114.85	119.20
Apr. 27	122.38	115.24	120.84	118.40	115.04	107.09	112.19	114.27	119.20
Mar. 31	122.01	114.85	121.04	118.40	114.85	106.04	111.25	114.27	119.20
Feb. 23	121.92	114.66	120.02	118.60	114.46	106.04	110.52	114.08	119.41
Jan. 26	120.88	113.89	119.41	118.00	113.70	105.17	109.24	113.89	118.60
High 1945	123.05	116.41	121.04	119.61	116.41	109.42	113.31	116.41	120.02
Low 1945	120.55	113.50	118.80	117.80	113.31	104.48	108.52	113.70	118.20
1 Year Ago									
Oct. 16, 1944	119.61	112.75	118.60	117.00	112.93	103.47	107.27	114.08	117.40
2 Years Ago									
Oct. 16, 1943	120.31	111.07	119.20	116.61	111.25	99.04	103.30	113.70	116.61

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1945— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings*				Corporate by Groups*		
			Aaa	Aa	A	Baa	R. R.	P. U.	Indus.
Oct. 16	1.58	2.83	2.62	2.69	2.83	3.19	3.03	2.83	2.65
15	1.58	2.83	2.61	2.69	2.83	3.20	3.03	2.83	2.65
13	Exchange closed								
12	Exchange closed								
11	1.57	2.84	2.61	2.70	2.84	3.20	3.03	2.84	2.65
10	1.57	2.84	2.61	2.70	2.84	3.20	3.04	2.84	2.65
9	1.57	2.84	2.61	2.70	2.84	3.21	3.04	2.84	2.65
8	1.57	2.84	2.61	2.71	2.84	3.21	3.04	2.84	2.65
6	1.58	2.84	2.61	2.70	2.84	3.21	3.04	2.84	2.65
5	1.59	2.84	2.61	2.70	2.84	3.21	3.04	2.84	2.65
4	1.60	2.85	2.61	2.70	2.85	3.22	3.04	2.84	2.65
3	1.60	2.85	2.61	2.70	2.85	3.23	3.05	2.84	2.65
2	1.61	2.85	2.61	2.71	2.86	3.23	3.05	2.85	2.66
1	1.61	2.85	2.62	2.71	2.85	3.23	3.05	2.85	2.66
Sept. 28	1.63	2.85	2.61	2.71	2.86	3.23	3.05	2.85	2.66
21	1.65	2.86	2.63	2.71	2.85	3.23	3.05	2.85	2.67
14	1.66	2.85	2.61	2.71	2.85	3.24	3.05	2.84	2.67
7	1.65	2.85	2.62	2.69	2.84	3.25	3.04	2.85	2.67
Aug. 31	1.65	2.85	2.61	2.70	2.84	3.25	3.03	2.85	2.68
24	1.67	2.86	2.62	2.70	2.85	3.27	3.03	2.87	2.68
17	1.67	2.86	2.61	2.70	2.84	3.27	3.03	2.86	2.68
10	1.65	2.85	2.60	2.69	2.85	3.26	3.01	2.86	2.68
3	1.64	2.86	2.61	2.69	2.85	3.27	3.01	2.86	2.70
July 27	1.64	2.86	2.61	2.69	2.86	3.27	3.01	2.87	2.70
20	1.60	2.85	2.60	2.68	2.85	3.26	3.01	2.87	2.68
13	1.60	2.84	2.60	2.67	2.84	3.26	2.99	2.87	2.67
6	1.60	2.85	2.60	2.68	2.85	3.27	3.01	2.87	2.67
June 29	1.60	2.85	2.60	2.69	2.85	3.27	3.01	2.88	2.68
May 25	1.64	2.88	2.62	2.71	2.88	3.31	3.05	2.91	2.69
Apr. 27	1.63	2.89	2.61	2.73	2.90	3.33	3.05	2.94	2.69
Mar. 31	1.66	2.91	2.60	2.73	2.91	3.39	3.10	2.94	2.69
Feb. 23	1.69	2.92	2.65	2.72	2.93	3.39	3.14	2.95	2.68
Jan. 26	1.77	2.96	2.68	2.75	2.97	3.44	3.21	2.96	2.72
High 1945	1.80	2.98	2.71	2.76	2.99	3.48	3.25	2.97	2.74
Low 1945	1.57	2.83	2.60	2.67	2.83	3.20	2.99	3.83	2.65
1 Year Ago									
Oct. 16, 1944	1.85	3.02	2.72	2.80	3.01	3.54	3.32	2.95	2.78
2 Years Ago									
Oct. 16, 1943	1.82	3.11	2.69	2.82	3.10	3.81	3.55	2.96	2.82

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Jan. 14, 1943, page 202.

Redeem French Gov. Bonds

J. P. Morgan & Co. Inc., as sinking fund administrators, on Oct. 15 notified holders of the Government of the French Republic External Loan of 1924 25-Year Sinking Fund 7% Gold Bonds due Dec. 1, 1949, issued under Loan Contract dated Nov. 22, 1924, that $3,999,500 principal amount of these bonds have been drawn by lot for redemption on Dec. 1, at 105%. The drawn bonds will be redeemed and paid on and after the redemption date, in United States dollars, at the office of the sinking fund administrators, 23 Wall Street, New York City, subject to the issuance of licenses under Executive Order No. 8389, as amended, permitting the disbursement of funds for the purpose, upon presentation and surrender of the bonds and of all appurtenant coupons maturing after the redemption date. Interest will cease on the drawn bonds after Dec. 1, 1945. The advices also state:

The Government of the French Republic is notifying holders of the drawn bonds that payment will be made either upon presentation of the bonds to J. P. Morgan & Co. Inc., in United States dollars, or, until further notice, upon presentation and surrender by bankers, brokers or financial institutions at the office of Morgan & Cie. Inc., Paris, France, in the French franc equivalent of the dollar amounts specified, calculated upon the basis of the official rate of exchange for the dollar in France at the date of maturity.

In order to comply with the decrees of the French Government dated July 16, 1935 and Aug. 25, 1937, the bonds drawn for redemption on Dec. 1, 1945, and coupons maturing on that date will be redeemed by payment as follows: (a) Bonds which are stamped to indicate non-French beneficial ownership will be redeemed and paid at 105%, and coupons which are similarly stamped will be paid at the face amount; (b) Bonds which are stamped to indicate French ownership, and unstamped Bonds, will be subject to a deduction of 10% of the difference between the issue price and the redemption price (a deduction of 1.1% of the principal amount), when in the ownership, French or foreign, of others than individuals. Coupons which are stamped to indicate French ownership, and unstamped coupons, will be subject to a deduction of 10% of the face amount, when in the ownership, French or foreign, of others than individuals.

Steel Output May Drop Further if Mine Strikes Continue—Price Rise Recommended

The coal strike this week has become so serious that it has jammed on the brakes for reconversion to civilian manufacture, states "The Iron Age," national metalworking paper, in its issue of today (Oct. 18), which further adds: The steel industry will lose more than 300,000 tons of steel ingot this week because of enforced shutdowns due to lack of coal supplies. If the coal impasse continues into next week, as now seems likely, total steel loss will approximate 393,000 tons for the industry as a whole.

Interpreted into finished steel product loss, steel consumers last week received about 125,000 tons less than they would have, had it not been for the coal strike. This week total finished steel shipments may be off as much as 225,000 tons, an amount which, were it available, would contribute heavily to the production of cars, washing machines, refrigerators and other civilian appliances. Probable loss of finished steel products next week may approximate 250,000 tons.

While some of these losses may be made up in subsequent months, the time element because of necessary reconversion looms more important than any later attempt to make up for coal strike losses. Finishing mill operations have been adversely affected along with steel ingot output reductions because supplies of raw steel ahead of the finishing mills have been at a low point for some time at many plants.

It may take months to straighten out the current chaotic delivery situation. Shipping schedules have been so badly disarranged that many steel companies find it impossible to make definite promises for future deliveries. Customers are being asked to cancel orders for tonnages in excess of the informal quotas set up by steel companies.

The overall demand for steel is being obscured by factors tending to keep down the amount of business placed on order books, hence a reservoir of tonnage especially in the flat rolled products group not yet accepted by the steel companies is building up rapidly. Despite this situation, producers are pushing sheet and strip mills to the maximum and orders for this type of product have shown no let down in the past few weeks.

Lack of coal this week has forced the steel ingot rate down nine points to 66.5% of rated capacity. Operations previous to the coal strike difficulties approximated 84% of capacity and represented a strong comeback following V-J Day. Hardest hit districts were Pittsburgh, operating at 47% this week, compared to 65% last week; Chicago at 73%, compared to 86% last week; Youngstown 52, compared to 63; and Buffalo 81.5 compared to 99.

The expansion of basing points for steel products other than stainless items predicted three weeks ago is now underway. Carnegie-Illinois Steel Corp. last week announced Youngstown as a basing point for hot-rolled carbon steel bars and small shapes, alloy hot-rolled bars and spring flats, alloy bar strip and alloy strip, all of which are made at the company's Youngstown plant but which were not heretofore based priced at Youngstown. The same company also named Chicago and Pittsburgh as basing points for spiegeleisen and Pittsburgh as a base for ferromanganese. It is expected that United States Steel Corp. will continue, after study, to name more basing points and possibly eliminate others. Other companies are expected to take similar action.

The American Iron and Steel Institute on Oct. 15 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 66.3% of capacity for the week beginning Oct. 15, compared with 73.5% one week ago, 83.2% one month ago and 97.0% one year ago. The current rate represents a decrease of 7.2 points or 9.8% from the preceding week. The operating rate for the week beginning Oct. 15 is equivalent to 1,214,400 tons of steel ingots and castings, compared to 1,346,300 tons one week ago, 1,523,900 tons one month ago, and 1,745,000 tons one year ago.

Prospect of steel production falling to approximately 55% of capacity by Oct. 22 and rapid acceleration of lay-offs and part time work in steel plants, unless coal mining is immediately resumed, were indicated by reports made on Oct. 16 to the American Iron and Steel Institute. If steel operations drop to 50% of capacity approximately 200,000 of the industry's employees shortly afterward will be out of work or working only part time schedules, it is expected.

The Institute's release further stated that even a quick end to the mine strike will not bring immediate improvement in steel productions despite the urgent need for more steel by civilian goods industries. A week to 10 days will be required for coal to reach the steel plants after the strikes end. Due to the necessity of building up stocks and reheating coke ovens which already have had to be cooled for lack of coal, between two to four weeks will be needed before steel production could begin to rise toward the level prevailing before the mine strikes.

"Steel" of Cleveland, in its summary of the iron and steel markets, on Oct. 15 stated in part as follows: "Restricted production as a result of labor disturbances, combined with heavy demand, has thrown steel mill schedules greatly out of gear.

"Some producers regard the situation as worse than in early war days, before inauguration of the Controlled Materials Plan. Some mills are four to six weeks behind on current shipments, notably on sheets and bars, and backlogs continue to increase in spite of the fact that orders have leveled off somewhat because of unsettled labor conditions.

"Rationing by steelmakers is becoming more prevalent, with quotas set up in some instances and with orders carefully scrutinized in all cases. Some sellers are virtually out of the market temporarily, being unable to offer any thing even suggestive of a firm delivery promise. Some orders are being accepted with delivery at mill convenience. Sheets, bars, pipe and shapes, among others, are in special demand. Within the past few days a leading producer set shapes up on a quota basis, effective Jan. 1. Some producers have been rationing hot and cold-rolled sheets on a quota basis since the end of the war and one has just opened books officially for first quarter, on the same basis as for the current quarter. Others are working out similar programs, but find it difficult in view of heavy commitments already made.

"Buying of steel rails for 1946 delivery is getting well under way.

"Office of Price Administration has recommended an average increase of about $2 per ton on steel products as a measure of relief from increased production cost. This recommendation does not take into consideration any wage increase which may result from current negotiations between steel companies and unions. Possibility of further increase in steel price when the wage question is settled is left open. Not all products will be affected by the recommended increase. OPA has suspended price control on stainless steel products. This is the first steel product to be thus removed from control.

"Conferences between CIO representatives and those of steel companies were started Oct. 10 at Pittsburgh and will be continued at other production centers. The question at issue is the demand for an increase of $2 per day in steel wages.

"Scrap continues in heavy demand, diminished pig iron supply causing heavier use of old material. On the other hand smaller steel production at some points has caused shipments to be held back temporarily. Prices are firm at ceilings on all grades."

Results of Treasury Bill Offering

The Secretary of the Treasury announced on Oct. 15 that the tenders of $1,300,000,000 or thereabouts of 91-day Treasury bills to be dated Oct. 18 and to mature Jan. 17, 1946, whcih were offered on Oct. 12, were opened at the Federal Reserve Bank on Oct. 15.

The details of this issue are as follows:

Total applied for, $2,047,963,000.

Total accepted, $1,309,235,000 (includes $53,581,000 entered on a fixed price basis at 99.905 and accepted in full.

Average price, 99.905+ equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High, 99.907, equivalent rate of discount approximately 0.368% per annum.

Low, 99.905, equivalent rate of discount approximately 0.376% per annum.

(59% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Oct. 18 in the amount of $1,305,479,000.

Samuel Walker Returns To Duties at Jos. Walker

Commander Samuel S. Walker has been released to inactive duty by the U. S. Navy and has returned to Joseph Walker & Sons, 120 Broadway, New York City, members of the New York Stock Exchange, of which firm he has been a member since 1920. Commander Walker served a year in the Aleutians and subsequently was Officer in Charge of the Naval Air Transport Service at Floyd Bennett Field, New York.

Moody's Daily Commodity Index

Tuesday, Oct. 9, 1945		260.8
Wednesday, Oct. 10		261.1
Thursday, Oct. 11		261.1
Friday, Oct. 12		Holiday
Saturday, Oct. 13		Holiday
Monday, Oct. 15		260.9
Tuesday, Oct. 16		260.6
Two weeks ago, Oct. 2		259.8
Month ago, Sept. 17		255.8
Year ago, Oct. 16, 1944		249.1
1944	High, Dec. 31	254.4
	Low, Nov. 1	245.7
1945	High, Oct. 8	261.1
	Low, Jan. 24	252.1

Weekly Coal and Coke Production Statistics

The total production of bituminous coal and lignite in the week ended Oct. 6, 1945, as estimated by the United States Bureau of Mines, was approximately 8,000,000 net tons, a decrease of 2,890,000 tons, or 26.5%, from the preceding week. Output in the corresponding week of 1944 amounted to 11,726,000 tons. For the period from Jan. 1 to Oct. 6, 1945, production amounted to 445,798,000 net tons, a decrease of 7.8% when compared with the 483,320,000 tons produced during the period from Jan. 1 to Oct. 7, 1944.

Production of Pennsylvania anthracite for the week ended Oct. 6, 1945, as estimated by the Bureau of Mines, was 1,155,000 tons, a decrease of 75,000 tons (6.1%) from the preceding week. When compared with the corresponding week of 1944 there was a decrease of 76,000 tons, or 6.2%. The calendar year to date shows a decrease of 15.8% when compared with the corresponding period of last year.

The Bureau also reported that the estimated production of beehive coke in the United States for the week ended Oct. 6, 1945 showed a decrease of 22,500 tons when compared with the output for the week ended Sept. 30, 1945, and was 74,100 tons less than for the corresponding week of 1944.

ESTIMATED UNITED STATES PRODUCTION OF BITUMINOUS COAL AND LIGNITE

(In Net Tons)

	Week Ended			Jan. 1 to Date	
Bituminous coal & lignite:	Oct. 6, 1945	*Sept. 29, 1945	Oct. 7, 1944	†Oct. 6, 1945	Oct. 7, 1944
Total, incl. mine fuel	8,000,000	10,890,000	11,726,000	445,798,000	483,320,000
Daily average	1,333,000	1,815,000	1,954,000	1,898,000	2,027,000

*Revised. †Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE

(In Net Tons)

	Week Ended			Calendar Year to Date		
Penn. antharcite—	‡Oct. 6, 1945	§Sept. 29, 1945	Oct. 7, 1944	Oct. 6, 1945	Oct. 7, 1944	Oct. 9, 1937
*Total incl. coll. fuel	1,155,000	1,230,000	1,231,000	41,989,000	49,847,000	39,209,000
†Commercial produc.	1,109,000	1,181,000	1,182,000	40,312,000	47,853,000	37,249,000
Beehive coke—						
United States total	43,900	66,400	118,000	4,357,100	5,662,900	2,700,800

*Includes washery and dredge coal and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised.

ESTIMATED WEEKLY PRODUCTION OF BITUMINOUS COAL AND LIGNITE, BY STATES, IN NET TONS

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	Week Ended		
State—	Sept. 29, 1945	Sept. 22, 1945	Sept. 30, 1944
Alabama	402,000	413,000	375,000
Alaska	5,000	5,000	6,000
Arkansas and Oklahoma	77,000	102,000	92,000
Colorado	141,000	136,000	164,000
Georgia and North Carolina	1,000	*	*
Illinois	1,423,000	1,483,000	1,406,000
Indiana	482,000	536,000	539,000
Iowa	34,000	37,000	52,000
Kansas and Missouri	97,000	149,000	168,000
Kentucky—Eastern	997,000	980,000	1,006,000
Kentucky—Western	348,000	377,000	351,000
Maryland	39,000	34,000	36,000
Michigan	2,000	2,000	4,000
Montana (bitum. & lignite)	90,000	78,000	105,000
New Mexico	30,000	30,000	30,000
North & South Dakota (lignite)	62,000	49,000	46,000
Ohio	748,000	752,000	682,000
Pennsylvania (bituminous)	2,196,000	2,680,000	2,950,000
Tennessee	131,000	134,000	135,000
Texas (bituminous & lignite)	2,000	2,000	1,000
Utah	126,000	121,000	129,000
Virginia	365,000	350,000	390,000
Washington	26,000	25,000	27,000
†West Virginia—Southern	2,045,000	1,993,000	2,168,000
‡West Virginia—Northern	813,000	953,000	1,130,000
Wyoming	208,000	179,000	188,000
§Other Western States	*	*	*
Total bituminous & lignite	10,890,000	11,600,000	12,180,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral, and Tucker counties. §Includes Arizona and Oregon. *Less than 1,000 tons.

Electric Output for Week Ended Oct. 13, 1945 9.6% Below That for Same Week Last Year

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended Oct. 13, 1945, was approximately 3,934,394,000 kwh., which compares with 4,354,575,000 kwh. in the corresponding week a year ago, and 4,028,286,000 kwh. in the week ended Oct. 6, 1945. The output for the week ended Oct. 13, 1945 was 9.6% below that of the same week in 1944.

PERCENTAGE DECREASE UNDER SAME WEEK LAST YEAR

	Week Ended			
Major Geographical Divisions—	Oct. 13	Oct. 6	Sept. 29	Sept. 22
New England	7.4	3.1	3.5	4.4
Middle Atlantic	4.7	3.9	2.6	4.2
Central Industrial	12.8	11.4	11.0	12.3
West Central	1.2	1.0	0.6	2.0
Southern States	12.9	11.1	9.7	10.6
Rocky Mountain	*3.9	*1.6	*3.3	*3.1
Pacific Coast	7.2	6.0	8.1	5.9
Total United States	9.6	7.9	7.5	8.2

*Increase over similar week in previous year.

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1945	1944	% Change over 1944	1943	1932	1929
July 7	3,978,426	3,940,854	+ 1.0	3,919,398	1,415,704	1,711,625
July 14	4,295,254	4,377,152	— 1.9	4,184,143	1,433,903	1,727,225
July 21	4,384,547	4,380,930	+ 0.1	4,196,357	1,440,386	1,732,031
July 28	4,434,841	4,390,762	+ 1.0	4,226,705	1,426,986	1,724,728
Aug. 4	4,432,304	4,399,433	+ 0.7	4,240,638	1,415,122	1,729,667
Aug. 11	4,395,337	4,415,368	— 0.5	4,287,827	1,431,910	1,733,110
Aug. 18	3,939,195	4,451,076	—11.5	4,264,824	1,436,440	1,750,056
Aug. 25	4,116,049	4,418,298	— 6.8	4,322,195	1,464,700	1,761,594
Sept. 1	4,137,313	4,414,735	— 6.3	4,350,511	1,423,977	1,674,588
Sept. 8	3,909,408	4,227,900	— 7.5	4,229,262	1,476,442	1,806,259
Sept. 15	4,106,187	4,394,839	— 6.6	4,358,512	1,490,863	1,792,131
Sept. 22	4,018,913	4,377,339	— 8.2	4,359,610	1,499,459	1,777,854
Sept. 29	4,038,542	4,365,907	— 7.5	4,359,003	1,505,216	1,819,276
Oct. 6	4,028,286	4,375,079	— 7.9	4,341,754	1,507,503	1,806,403
Oct. 13	3,934,394	4,354,575	— 9.6	4,382,268	1,528,145	1,798,633
Oct. 20	------	4,345,352		4,415,405	1,533,028	1,824,160
Oct. 27	------	4,358,293		4,452,592	1,525,410	1,815,749

National Fertilizer Association Commodity Price Index Shows Marked Advance

The weekly wholesale commodity price index compiled by the National Fertilizer Association and made public on Oct. 15, advanced substantially to 140.6 for the week ended Oct. 13, 1945, from 140.1 for the preceding week. This takes the general index back almost to its level of Sept. 1 when it was 140.7. A month ago the index stood at 139.8, and a year ago at 139.5, all based on the 1935-1939 average as 100. The Association's report continued as follows:

The rise in the index during the latest week was due principally to a general price advance in the farm products group, with all of the subgroups sharing in the advance. This group has now again reached its all-time high point that was previously reached on Aug. 4. The rise in the cotton index carried it to a new high level. Most grains advanced, resulting in the grains index almost reaching its highest point. The livestock index rose substantially, with the ceilings raised on the prices of hogs, and higher quotations for good cattle and for eggs much more than offsetting lower prices for calves and lambs. The foods index registered an advance for the second consecutive week following six weeks of declining prices. There were price changes in the textiles and metals groups but they were not sufficient to change the level of the indexes. All other groups in the index remained unchanged.

During the week 11 price series in the index advanced and four declined; in the preceding week nine advanced and three declined; in the second preceding week 13 advanced and six declined.

WEEKLY WHOLESALE COMMODITY PRICE INDEX

Compiled by The National Fertilizer Association

1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week Oct. 13, 1945	Preceding Week Oct. 6, 1945	Month Ago Sep. 15, 1945	Year Ago Oct. 14, 1944
25.3	Food	142.3	141.0	141.8	142.8
	Fats and Oils	145.2	145.2	145.2	145.1
	Cottonseed Oil	163.1	163.1	163.1	163.1
23.0	Farm Products	168.4	166.3	164.4	165.2
	Cotton	218.2	216.8	214.5	206.5
	Grains	166.0	164.8	159.2	161.6
	Livestock	161.6	158.9	157.8	160.2
17.3	Fuels	129.7	129.7	129.7	130.1
10.8	Miscellaneous Commodities	132.8	132.8	132.8	132.2
8.2	Textiles	159.0	159.0	157.3	155.5
7.1	Metals	109.6	109.6	108.9	104.1
6.1	Building Materials	154.7	154.7	153.8	154.0
1.3	Chemicals and Drugs	125.8	125.8	125.8	126.1
.3	Fertilizer Materials	118.3	118.3	118.3	118.3
.3	Fertilizers	119.9	119.9	119.9	119.9
.3	Farm Machinery	104.9	104.9	104.8	104.7
100.0	All groups combined	140.6	140.1	139.8	139.5

*Indexes on 1926-1928 base were: October 13, 1945, 109.5 October 6, 1945, 109.1; and October 14, 1944, 108.7.

ABA Nat'l Headquarters In New Location

The marked expansion of banking services to the public, which has taken place all over the country and which has found expression in the growth of the American Bankers Association, is reflected in the removal of the Association's national headquarters to the Combustion Engineering Building at 12 East 36th St., which is planned for the end of this year, John J. Rooney, Comptroller of the ABA, said on Oct. 13. To provide for needed space, the Association has taken the entire ninth floor of the building. The new quarters will provide 20% more floor space to carry on the Association's increasing activities in behalf of its more than 15,000 member banks. These activities have resulted in the recent creation of such departments as the Post-war Small Business Credit Commission and the Country Bank Operations Commission, and enlargement of the programs of older departments, among which are its Agricultural Commission, Bank Management Commission, Consumer Credit Committee, and the American Institute of Banking.

In the 71 years since its organization, the ABA has moved its national headquarters only three times before, and, as it does this time, the change reflected the growth and popularization of bank services, Mr. Rooney said. The Association has occupied its present 40th Street offices for almost 15 years. By virtue of being able to locate all of the national headquarters on one floor, it will be possible it is stated to provide for a more efficient layout of the Association's departments, now occupying three floors at the 40th Street location. Plans now being carried out in remodeling of the new space follow the office design now employed in many of the modern banking rooms. Preparations are being made to move the ABA offices about Dec. 1, Mr. Rooney said.

Estimated 1945 Lumber Output Lowest Since 1939

Lumber production for the first seven months of 1945 and preliminary estimates of production in August indicate that total output for the year will fall to about 28,750,000,000 board feet, the War Production Board announced on Sept. 25. Production for the year was formerly expected to amount to 29,500,000,000 board feet.

Decline in production is due to manpower and equipment shortages, pricing and other factors. Efforts made to eliminate factors retarding production have not yet been wholly effective, WPB said.

The revised forecast does not take into account losses resulting from work stoppages on the West Coast, WPB pointed out.

Production for the period January through July, 1945 totaled 17,157,614,000 board feet, a decline of 11% from production in the comparable period of 1944. In July, 1945, production was nearly 9% below that in June and 15% less than that in July 1944. June and July production normally are on approximately the same level. The 8.8% decline from June to July was due in part to shutdowns in the West on account of forest fires and to long vacations over the Fourth of July.

The drop in production is to some extent offset by the sharp reduction in military requirements following V-J Day. During the first half of 1945, direct and indirect military requirements amounted to 12,000,000,000 board feet; in the second half of the year, direct and indirect military requirements are expected to amount to only 4,000,000,000 board feet.

Estimated 1945 production is the lowest since 1939, when production amounted to 28,582,000,000 board feet. As war needs for lumber increased, production expanded to a peak of 36,538,000,000 board feet in 1941, and dropped to 34,622,000,000 board feet in 1943 and to 32,554,000,000 in 1944.

Senate Confirms McKeough To Maritime Commission

The U. S. Senate on Oct. 11 approved by a vote of 42 to 34 the nomination by President Truman of Raymond S. McKeough for a 6-year term as a member of the United States Maritime Commission. The nomination had been held up in the Senate since Oct. 1, when the Senate Commerce Committee disapproved the appointment by a vote of 10 to 7. On that date (Oct. 1) Associated Press advices from Washington said:

Chairman Bailey (Dem., N. C.) told reporters after the closed meeting he voted for confirmation but declined to disclose how other members voted.

Senator Bailey said the adverse report was "not due to his (McKeough's) connections" with the CIO-Political Action Committee, but asserted that it was "due to the intense rivalry among factions of seamen's unions."

Mr. McKeough, when before a Commerce subcommittee more than two weeks ago, said he was the 1944 director of the CIO-PAC in Illinois, Wisconsin and Indiana in support of the fourth term campaign of former President Roosevelt.

At that time, however, he emphasized that he was not a CIO member, that he was acting in the nature of an "employee" and still was on the payroll.

Mr. Bailey said several members of the Committee, who had served in the House with Mr. McKeough, said the nominee was "a fine man" and there was no question of his integrity.

The Commerce Committee, at a previous session, declined to take any action and Mr. Bailey, at that time, said the President would be given an opportunity to shed "more light" on the nomination.

Oct. 12 Associated Press accounts from Washington stated that such Southerners as Senators Byrd (D., Va.) and George (D., Ga.) who don't like the CIO influence in politics joined with seven other Democrats and 25 Republicans in voting against Mr. McKeough. Thirty-nine Democrats, two Republicans and a progressive supported confirmation.

Two issues were involved in the appointment, said the Associated Press on Oct. 2, viz.:

1. Can the bulk of Senate Republicans, who don't like the CIO, get enough Democratic votes on their side to engineer the first rejection of a Truman nomination? Mr. McKeough is on the CIO's Political Action Committee payroll.

2. Is the AFL strong enough among Senators to swing the balance by its opposition to Mr. McKeough?

The Press accounts added:

Eight Republicans and two Democrats—Senators Overton of Louisiana and O'Daniel of Texas—forced Committee adoption of the adverse report. Seven Democrats voted for approval.

The Committee decision came after the Chairman, Senator Bailey (D., N. C.) announced that the President had written him requesting Committee action so that the matter could be decided by the Senate. Sometimes Presidents withdraw nominations after unfavorable committee action. Mr. Truman made it plain he wasn't going to.

The reasons Committee members gave for their action varied. But all came back to this central point: McKeough's employment by the PAC as its Chicago district director in the Roosevelt fourth term campaign.

No one had anything to say against McKeough's character or his other qualifications. Senators who had served in the House, where he represented the Second Illinois District from 1934 to 1942, praised his ability.

Trading on New York Exchanges

The Securities and Exchange Commission made public on Oct. 10 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended Sept. 22, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended Sept. 22 (in round-lot transactions) totaled 2,186,158 shares, which amount was 14.26% of the total transactions on the Exchange of 7,663,200 shares. This compares with member trading during the week ended Sept. 15 of 2,030,367 shares, or 14.47% of the total trading of 7,015,000 shares. On the New York Curb Exchange, member trading during the week ended Sept. 22 amounted to 578,945 shares or 14.44% of the total volume on that Exchange of 2,004,290 shares. During the week ended Sept. 15 trading for the account of Curb members of 475,490 shares was 13.07% of the total trading of 1,818,435 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED SEPT. 22, 1945

	Total for week	†%
A. Total Round-Lot Sales:		
Short sales	208,110	
‡Other sales	7,455,090	
Total sales	7,663,200	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	644,080	
Short sales	120,930	
‡Other sales	565,870	
Total sales	686,800	8.68
2. Other transactions initiated on the floor—		
Total purchases	148,400	
Short sales	12,500	
‡Other sales	161,080	
Total sales	173,580	2.10
3. Other transactions initiated off the floor—		
Total purchases	244,620	
Short sales	19,400	
‡Other sales	269,278	
Total sales	288,678	3.48
4. Total—		
Total purchases	1,037,100	
Short sales	152,830	
‡Other sales	996,228	
Total sales	1,149,058	14.26

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED SEPT. 22, 1945

	Total for week	†%
A. Total Round-Lot Sales:		
Short sales	35,865	
‡Other sales	1,968,425	
Total sales	2,004,230	
B. Round-Lot Transactions for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	147,055	
Short sales	14,470	
‡Other sales	155,685	
Total sales	170,155	7.91
2. Other transactions initiated on the floor—		
Total purchases	31,475	
Short sales	5,300	
‡Other sales	58,095	
Total sales	63,395	2.37
3. Other transactions initiated off the floor—		
Total purchases	96,525	
Short sales	12,670	
‡Other sales	57,670	
Total sales	70,340	4.16
4. Total—		
Total purchases	275,055	
Short sales	32,440	
‡Other sales	271,450	
Total sales	303,890	14.44
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	82,005	
Total purchases	82,005	
Total sales	73,672	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Wholesale Prices Increase 0.2% in Week Ended October 6, Labor Department Reports

The index of commodity prices in primary markets prepared by the Department of Labor's Bureau of Labor Statistics rose 0.2% during the week ended Oct. 6, chiefly because of higher prices for agricultural products, it was reported on Oct. 11 by the U. S. Department of Labor, which added that the index, at 105.2% of the 1926 average, was 0.2% above the first week in September and 1.3% above the corresponding week of last year. It was, however, 0.8% below the high of 106.1% reached during the first week in June. The Department's advices continued:

Farm Products and Foods—Average prices of farm products were up 0.8% during the week. Most grains were higher, reflecting strong demand. Egg prices continued to advance seasonally. Fruit and vegetables were generally higher. Apple prices increased in Chicago and New York as the result of higher OPA ceilings and there were also increases for oranges and onions. White potatoes in Chicago declined seasonally and livestock and poultry prices as a group declined fractionally. Quotations for cows were lower because of narrow demand for the poorer grades while sheep quotations moved up. Live poultry was higher in Chicago and lower in New York. An increase in the parity price of cotton was reflected in higher cotton quotations during the week. Prices of farm products as a group have advanced 1.1% during the last four weeks to a level 1.9% above the first week in October 1944.

The price advances for fruits and vegetables and eggs were responsible for a rise of 0.6% in the group index for foods during the week. On the average, prices for foods were 0.2% above early September and 1.2% higher than the corresponding week of last year.

Other Commodities—There were few important price movements for other commodities during the week. Brick prices rose 5%, reflecting higher ceilings granted by OPA to encourage increased output. Ethylacetate prices dropped sharply to meet competition of a lower-priced synthetic and shearlings were lower. Quotations for mercury and sales realizations for electricity were higher. Average prices of all commodities other than farm products and foods were 0.1% below the level of four weeks ago and 1.1% above early October, 1944.

The Labor Department also included the following notation in its report:

Note—During the period of rapid changes caused by price controls, materials allocation, and rationing, the Bureau of Labor Statistics will attempt promptly to report changing prices. The indexes must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports.

The following tables show (1) indexes for the past three weeks for Sept. 8, 1945 and Oct. 7, 1944 and (2) percentage changes in subgroup indexes from Sept. 29, 1945 to Oct. 6, 1945.

WHOLESALE PRICES FOR WEEK ENDED OCTOBER 6, 1945
(1926 = 100)

						Percentage changes to Oct. 6, 1945, from—		
Commodity Groups—	10-6 1945	9-29 1945	9-22 1945	9-8 1945	10-7 1944	9-29 1945	9-8 1945	10-7 1944
All commodities	105.2	105.0	104.9	105.0	103.9	+0.2	+0.2	+1.3
Farm products	125.7	124.7	124.5	124.3	123.3	+0.8	+1.1	+1.9
Foods	105.3	104.7	105.1	105.1	104.1	+0.6	+0.2	+1.2
Hides and leather products	118.4	118.6	118.6	118.6	116.8	—0.2	—0.2	+1.4
Textile products	99.9	99.9	99.6	99.4	98.8	0	+0.5	+1.1
Fuel and lighting materials	84.5	84.4	84.5	85.3	83.8	+0.1	—0.9	+0.8
Metals and metal products	104.8	104.8	104.8	104.8	103.9	0	0	+0.9
Building materials	117.9	117.8	117.7	117.6	116.1	+0.1	+0.3	+1.6
Chemicals and allied products	95.3	95.3	95.3	95.3	94.9	0	0	+0.4
Housefurnishing goods	106.3	106.3	106.3	106.3	106.1	0	0	+0.2
Miscellaneous commodities	94.6	94.6	94.6	94.6	93.4	0	0	+1.3
Raw materials	116.3	115.7	115.5	115.3	113.7	+0.5	+0.9	+2.3
Semimanufactured articles	95.9	95.9	95.7	95.7	94.6	0	+0.2	+1.4
Manufactured products	101.8	101.8	101.8	102.0	101.2	0	—0.2	+0.6
All commodities other than farm products	100.7	100.6	100.6	100.8	99.7	+0.1	—0.1	+1.0
All commodities other than farm products and foods	100.0	99.9	99.9	100.1	98.9	+0.1	—0.1	+1.1

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM
SEPT. 29, 1945 TO OCT. 6, 1945

Increases			
Other foods	1.5	Fruits and vegetables	1.2
Brick and tile	1.4	Grains	1.2
Other farm products	1.3	Other textile products	0.4
Lumber	0.1		
Decreases			
Hides and skins	0.6	Livestock and poultry	0.2
Paint and paint materials	0.1		

Sales to Individuals in Coming Victory Loan Drive Stressed by Secretary Vinson

Pointing out that the Victory Loan will be the last great public drive, Secretary of the Treasury Vinson on Oct. 7 added that the major emphasis will again be on sales to individuals. "It is highly important," he said "that every effort be made to sell at least $4 billions of bonds to this group of investors." Mr. Vinson's reminders regarding the Drive were contained in a letter addressed to banking institutions throughout the country incident thereto, in which he said that "the purpose of this letter is to ask for your personal co-operation and that of your bank during the Victory Loan Drive, which opens on Oct. 29."

Secretary Vinson went on to say:

In this Drive, the Treasury must raise at least $11 billions, of which $4 billions is to come from the sale of securities to individuals and the remainder from other nonbank investors. While the Treasury balance is large at the present time, enormous obligations incurred in the achievement of victory, including those for materials and munitions already delivered and used, remain to be liquidated so that additional funds will be needed early in December.

Government expenditures are being drastically reduced and this will continue vigorously. The results of war, however, carry grave responsibilities that must be met. The cost of contract settlements bringing our armed forces home their mustering-out pay, hospitalization, care, and rehabilitation will be great and will require billions of dollars.

Until reconversion of industry from a war to a peacetime basis is well advanced or completed, and goods are coming into the market in sufficient volume reasonably to meet demands, it is highly desirable to channel as much as possible of the available nonbank funds into Government securities. The banks can be of great help to the Government in its effort to hold the line against the pressure on prices if they will co-operate in carrying out the objectives of the Treasury.

We have tried to design the securities to be offered in the Victory Loan Drive so as to procure maximum investment of nonbank funds and to hold indirect participation of commercial bank funds to a very minimum. I respectfully urge your co-operation in declining to make loans for speculative purchases of Government securities and also in declining to accept subscriptions from customers which may appear to be entered for speculative purposes. I am sure that you as a banker appreciate the importance of eliminating these undesirable purchases and will do all you can to help stop such practices.

There is no objection, of course, to the making of loans for the purpose of facilitating permanent investments in Government securities provided such loans conform to the provisions of the joint statement issued by the National and State Bank Supervisory Authorities on Nov. 23, 1942, which reads in part as follows:

"* * * subscribers relying upon anticipated income may wish to augment their subscriptions by temporary borrowings from banks. Such loans will not be subject to criticism but should be on a short-term or amortization basis fully repayable within periods not exceeding six months."

There are two additional matters in which I would greatly appreciate your co-operation during the Victory Loan Drive: (1) to decline to purchase any outstanding securities from nonbank investors on the understanding or condition that a subscription for a substantially like amount of Treasury securities offered during the Drive will be made through your bank with payment to be made through the war loan account; and (2) to hold to a minimum the transfer of funds for the purchase of Government securities. For statistical purposes credits will be given to localities desired by the purchaser in the Victory Loan as in previous drives.

While it is not possible to set a precise formula to take care of the many thousands of different circumstances under which subscriptions will be received, I would greatly appreciate it if your bank would carefully examine every subscription with a view to making the program as effective and equitable as possible and one which will meet the Treasury's objectives.

Route Maps of Air Lines

Route maps of all the airlines that come into New York, together with the dramatic story of their growth and future plans, are available in a new booklet, "Your Airlines." "Your Airlines" is a collection of "Airline Profiles" which ran in the Brooklyn "Eagle" over a period of four months. They were written by Daniel Lionel, Brooklyn "Eagle" Air Transportation Director, and there is an introduction by John F. Budd, Publisher of Air Transportation Magazine and Chairman of the Aviation Section of the New York Board of Trade. Mr. Budd's discussion deals with Brooklyn's place in the coming Air Age. The booklet has been made available to Brooklyn school children through the cooperation of the New York City Board of Education. It may be obtained by writing to the Brooklyn Eagle Resort and Travel Bureau and enclosing 10 cents in stamps to cover handling costs.

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Oct. 10 a summary for the week ended Sept. 29 of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended Sept. 29, 1945

	Total For Week
Odd-Lot Sales by Dealers— (Customers' purchases)	
Number of orders	26,411
Number of shares	790,814
Dollar value	$32,687,080
Odd-Lot Purchases by Dealers— (Customers' sales)	
Number of Orders:	
Customers' short sales	132
*Customers' other sales	25,152
Customers' total sales	25,284
Number of Shares:	
Customers' short sales	4,715
*Customors' other sales	684,605
Customers total sales	689,320
Dollar value	$26,456,864
Round-Lot Sales by Dealers—	
Number of Shares:	
Short sales	160
†Other sales	140,970
Total sales	141,130
Round-Lot Purchases by Dealers—	
Number of shares	254,240

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Daily Average Crude Oil Production for Week Ended Oct. 6 1945 Decreased 736,600 Bbls.

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended Oct. 6, 1945, was 3,620,850 barrels, a decrease of 736,600 barrels per day from the preceding week, or to the lowest level in several years, operations again being affected by labor difficulties. Output in Texas fell off 593,800 barrels per day. The figure for the week ended Oct. 6, 1945 was also 1,070,700 barrels per day below that for the corresponding week of 1944, and showed a decrease of 843,550 barrels when compared with the daily average figure as recommended by the Petroleum Administration for War for the month of October, 1945. Daily output for the four weeks ended Oct. 6, 1945 averaged 4,260,950 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 3,409,000 barrels of crude oil daily and produced 10,612,000 barrels of gasoline; 1,174,000 barrels of kerosine; 3,517,000 barrels of distillate fuel, and 6,435,000 barrels of residual fuel oil during the week ended Oct. 6, 1945; and had in storage at the end of the week 45,428,000 barrels of civilian grade gasoline; 29,180,000 barrels of military and other gasoline; 14,305,000 barrels of kerosine; 42,348,000 barrels of distillate fuel, and 46,059,000 barrels of residual fuel oil.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*P. A. W. Recommendations October	*State Allowables Begin. Oct. 1	Actual Production Week Ended Oct. 6, 1945	Actual Production Change from Previous Week	4 Weeks Ended Oct. 6, 1945	Week Ended Oct. 7, 1944
Oklahoma	380,000	383,000	†383,450	— 7,850	390,350	344,050
Kansas	274,000	254,400	†252,150	— 20,350	267,900	251,300
Nebraska	1,000	----	†750	— 150	850	950
Panhandle Texas			88,000	----	88,000	98,800
North Texas			116,300	— 25,600	135,500	148,800
West Texas			260,000	—153,200	393,300	492,800
East Central Texas			93,000	— 19,100	115,500	149,500
East Texas			177,000	—138,300	280,750	371,350
Southwest Texas			193,800	— 73,750	261,150	334,400
Coastal Texas			259,000	—183,850	409,300	537,700
Total Texas	1,868,000	‡1,204,722	1,187,100	—593,800	1,683,500	2,133,350
North Louisiana			70,500	— 350	71,100	74,050
Coastal Louisiana			285,000	— 7,000	290,250	289,750
Total Louisiana	350,000	393,000	355,500	— 7,350	361,350	363,800
Arkansas	75,000	78,642	76,150	— 200	77,300	80,600
Mississippi	47,000		51,100	— 1,450	52,100	49,250
Alabama	500		200	----	400	300
Florida	----		100	— 50	150	50
Illinois	200,000		137,400	— 44,400	181,250	193,900
Indiana	13,000		10,300	— 2,550	12,350	13,200
Eastern— (Not incl. Ill., Ind., Ky.)	66,200		61,700	— 4,250	63,750	65,650
Kentucky	28,000		18,300	— 10,900	26,250	24,650
Michigan	47,000		44,600	+ 3,400	45,500	51,900
Wyoming	93,200		93,800	— 2,450	103,000	96,900
Montana	23,500		20,300	----	20,200	22,400
Colorado	12,000		14,150	— 450	12,900	9,050
New Mexico	100,000	100,000	96,600	+ 1,300	100,150	103,950
Total East of Calif.	3,578,400		2,803,650	—691,500	3,399,250	3,805,250
California	886,000	§886,000	817,200	— 45,100	861,700	886,300
Total United States	4,464,400		3,620,850	—736,600	4,260,950	4,691,550

*PAW recommendations and State allowables, as shown above, represent the production of crude oil only, and do not include amounts of condensate and natural gas derivatives to be produced.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. Oct. 3, 1945.

‡This is the net basic allowable as of Oct. 1 calculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 14 to 26 days, the entire state was ordered shut down for 19 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 19 days' shutdown time during the calendar month.

§Recommendations of Conservation Committee of California Oil Producers.

¶Subject to change by any further emergency orders.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED OCT. 6, 1945

(Figures in thousands of barrels of 42 gallons each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis

District—	**% Daily Refining Capacity Reporting**	**Crude Runs to Stills Daily Average**	**Crude Runs to Stills % Operated**	**§Gasoline Production at Ref. Inc. Nat. Blended**	**‡Stocks of Gas Oil & Dist. Fuel Oil**	**‡Stocks of Residual Fuel oil**	**‡Gasoline Stocks Military and Other**	**‡Gasoline Stocks Civilian Grade**
East Coast	99.5	647	81.8	1,544	14,597	6,931	4,164	9,803
Appalachian—								
District No. 1	76.8	81	55.5	308	551	236	1,588	1,269
District No. 2	81.2	21	42.0	78	131	215	183	728
Ind., Ill., Ky.	87.2	430	50.2	1,525	6,120	3,248	4,231	11,562
Okla., Kan., Mo.	78.3	334	71.2	1,253	2,728	1,202	1,450	5,178
Inland Texas	59.8	234	70.9	954	450	938	893	1,447
Texas Gulf Coast	89.3	330	26.7	1,008	5,491	5,332	7,821	5,885
Louisiana Gulf Coast	96.8	309	118.8	888	1,513	1,021	1,106	1,641
No. La. & Arkansas	55.9	73	57.9	199	446	277	99	1,784
Rocky Mountain—								
District No. 3	17.1	13	100.0	36	20	37	15	77
District No. 4	72.1	107	67.3	359	447	715	421	1,046
California	87.3	830	83.2	2,460	9,854	25,907	7,209	5,008
Total U. S. B. of M. basis Oct. 6, 1945	85.8	3,409	62.7	10.612	42,348	46,059	*29,180	45,428
Total U. S. B. of M. basis Oct. 29, 1945	85.8	3,812	70.1	11,913	43,689	46,853	31,348	48,204
U. S. B. of M. basis Oct. 7, 1944		4,542		14,340	44,397	64,709	38,138	39,447

*Includes aviation and military gasoline, finished and unfinished, title to which still remains in the name of the producing company; solvents, naphthas, blending stocks currently indeterminate as to ultimate use, and 9, 719,000 barrels unfinished gasoline this week, compared with 12,433,000 barrels a year ago. These figures do not include any gasoline on which title has already passed, or which the military forces may actually have in custody in their own or leased storage. ‡Stocks at refineries, at bulk terminals, in transit and in pipe lines. §Not including 1,174,000 barrels of kerosine, 3,517,000 barrels of gas oil and distillate fuel oil and 6,435,000 barrels of residual fuel oil produced during the week ended Oct. 6, 1945, which compares with 1,278,000 barrels, 3,940,000 barrels and 7,047,000 barrels, respectively, in the preceding week and 1,377,000 barrels, 4,670,000 barrels and 8,732,000 barrels respectively in the week ended Oct. 7, 1944.

NOTE—Stocks of kerosine at Oct. 6, 1945, amounted to 14,305,000 barrels, as against 14,499,000 barrels a week earlier and 14,407,000 barrels a year before.

Civil Engineering Construction Totals $33,206,000 for Week

Civil engineering construction volume in continental United States totals $33,206,000 for the week. This volume is 56% under the total for the preceding week, 42% below the corresponding 1944 week's volume, and 47% lower than the previous four-week moving average as reported to "Engineering News-Record." The report issued on Oct. 11 went on to say:

Private construction is down 63% compared with a week ago, but is 313% above the week last year as a result of the increased activity in industrial and commercial building. Public work is 26 and 79% lower, respectively, than last week and last year. Federal volume declines 25% from the preceding week, and drops 92% from the 1944 week's total. State and municipal construction is 27% under a week ago, but tops a year ago by 6%.

The current week's construction brings 1945 volume to $1,604,191,000 for the 41-week period, a 10% increase over the $1,463,770,000 reported for the period last year. Private construction, $644,070,000, is 115% higher than a year ago, but public construction, $960,121,000, is down 17½% due to the 29% decrease in federal work. State and municipal construction, $275,748,000, is 34% greater than in the period last year.

Civil engineering construction volumes for the current week, last week, and the 1944 week are:

	Oct. 11, 1945	Oct. 4, 1945	Oct. 12, 1944
Total U. S. Construction	$33,206,000	$74,731,000	$57,679,000
Private Construction	22,332,000	59,974,000	5,400,000
Public Construction	10,874,000	14,757,000	52,279,000
State and Municipal	7,238,000	9,928,000	6,806,000
Federal	3,636,000	4,829,000	45,473,000

In the classified construction groups, earthwork and drainage is the only class of work to report an increase over the preceding week. Gains over the 1944 week are in bridges, industrial and commercial buildings, earthwork and drainage, and streets and roads. Subtotals for the week in each class of construction are: waterworks, $175,000; sewerage, $941,000; bridges, $802,000; industrial buildings, $10,618,000; commercial building and private mass housing, $11,013,000; public buildings, $1,144,000; earthwork and drainage, $2,459,000; streets and roads, $4,214,000; and unclassified construction, $1,840,000.

New capital for construction purposes for the week totals $9,085,000. It is made up of $4,414,000 in state and municipal bond sales, and $4,671,000 in corporate security issues. The week's new financing brings 1945 volume to $1,681,344,000, a 4% increase over the $1,618,350,000 reported for the 41-week period in 1944.

Non-Ferrous Metals—Lead Sales in Good Volume—Foreign Silver Quotation Higher

"E. & M. J. Metal and Mineral Markets," in its issue of Oct. 11, stated: "Lead was the most active of the major non-ferrous metals in the week that ended Oct. 10. With civilian demands expanding, consumption of lead at present is almost as high as in the war period. Interest in copper centered in developments connected with extending the Government's purchases of Latin American metal. Buying of zinc was spotty. The New York Official quotation for foreign silver was raised one-eighth cent an ounce, establishing the market at 70¾c. This revision was viewed as an adjustment, owing to lower handling charges than those incurred in purchasing newly mined domestic silver. Quicksilver again advanced in price, with sales at $100 per flask." The publication further went on to say, in part, as follows:

Copper

Pending developments in connection with the Government's program for purchasing Latin American copper after the end of this month, the industry is doing nothing about the delicate foreign situation in the metal. A decision by the authorities in Washington settling this question is expected shortly. Though demand for copper from abroad has improved, the tonnages involved have been small compared with normal times. An inquiry for 10,000 tons or so from some European country receives wide publicity. Europe's needs for copper are great, but credit and other difficulties stand in the way of reviving business on a large scale.

Domestic requirements for October have been about covered.

Lead

Reduced demand for lead for military applications are being offset by increased consumption in civilian products, with the result that current use is holding at around 60,000 tons a month. Demand for lead was fairly active during the last week, sales amounting to 11,767 tons, against 7,884 tons in the preceding week.

End-use restrictions on lead used in the production of lead chemicals were eliminated by WPB on Oct. 9. This action, taken by amending Order M-384, will make for greater flexibility in distributing the products.

Consumption of primary lead in the United Kingdom in the first half of 1945 averaged 17,797 tons a month.

Zinc

As in recent weeks, buying of zinc in the seven-day period that ended Oct. 10 centered largely in Special High Grade and Prime Western. Where forward business was involved, consumers leaned toward placing orders on an average-price basis.

The slab zinc statistics for September, issued by the American Zinc Institute, placed stocks on hand at the end of that month at 233,328 tons, against 213,556 tons (revised) in August. As most of this tonnage is owned by the Government, the market was not greatly concerned with the figures. However, should stocks owned by producers begin to increase, which is thought likely unless consumption can be maintained at a high level, the industry will follow future production and consumption figures more closely. Shipments to consumers during September dropped to 41,357 tons, but there was little doubt in the minds of producers that this total fell far short of actual consumption. In other words, consumers continued to reduce their inventories. Production of 61,600 tons of zinc in September compares with the monthly high for the current year of 71,739 tons, established in March.

Magnesium

The War Production Board has released additional figures on production of magnesium products during the war years. Magnesium foundries shipped 237,000,000 lb. of magnesium incendiary-bomb body castings during the 42 months from Feb. 1942 to July 1945. From a trickle early in 1942, output of bomb castings increased until it reached a peak of more than 16,000,000 lb. in March of 1944. Shipments of magnesium bomb castings in 1942 totaled 9,587,000 lb.; 77,359,000 lb. in 1943; and 117,509,000 lb. in 1944. Shipments in the first seven months of 1945 totaled 32,701,000 lb.

Tin

Reports originating in British sources state that some 18,000 tons of tin have been located in Malaya. It is expected that the Combined Materials Board will take over this and other stores of tin found in the Far East for distribution.

Consumption of virgin tin in the United Kingdom in the first half of 1945 amounted to 8,016 long tons.

The market for tin in New York was unchanged. Forward quotations for Straits quality tin, in cents per pound, follow:

	Oct.	Nov.	Dec.
Oct. 4	52.000	52.000	52.000
Oct. 5	52.000	52.000	52.000
Oct. 6	52.000	52.000	52.000
Oct. 8	52.000	52.000	52.000
Oct. 9	52.000	52.000	52.000
Oct. 10	52.000	52.000	52.000

Chinese, or 99% tin continued at 51.125c. per pound.

Quicksilver

Call for quicksilver for spot and nearby delivery was in fair volume and sufficient to again raise prices. At the beginning of the week, metal was available at prices ranging from $95 to $97 per flask. By Oct. 8, however, business was reported at $100 per flask. As the week ended quotations showed a range of $100 to $104 per flask, spot and nearby. With domestic output falling, and importers not pressing for business, consumers with no surplus problem have been less inclined to quibble over prices.

San Francisco advices received on Oct. 9 reported prompt shipment quicksilver $95 per flask, f.o.b. Coast; forward shipment nominal at $90. September production reduced one-third. October production also expected to drop by one-third. Unless uncertainty in regard to surplus metal is removed, December is likely to see little production in California.

Silver

Effective Oct. 9, the New York Official for foreign silver was raised to 70¾c. an ounce. This slight advance from the 70⅝c. quotation that prevailed earlier in the week resulted from an adjustment in calculating the handling charges on foreign metal. Also, it is hoped that it will serve as an inducement to increase supplies moving to this market. The quotation for domestic silver was unchanged at 70⅝c. all week. Quotations for domestic silver for Saturdays have been discontinued.

Mail to Foreign Countries

Postmaster Albert Goldman has directed attention to an announcement issued by Postmaster General Robert E. Hannegan that effective Oct. 1, the limitations as to size of all mail including parcel post addressed for delivery through a civilian post office in any foreign country, in the Philippines or in any United States territory or possession which were in effect prior to April 20, 1942, have been restored. Existing limitations as to weight are not changed. This will permit the mailing to civilians at overseas destinations of parcels containing bulky articles such as overcoats and blankets which due to their very nature cannot be divided. The advices also state:

"Information as to the maximum weight and size of mail matter intended to be dispatched to these destinations can be obtained at any United States Post Office.

"The removal of this restriction does not in any way affect the licensing requirements of the Foreign Economic Administration, nor does it provide for any mail or parcel post service which is not now in effect."

Revenue Freight Car Loadings During the Week Ended Oct. 6, 1945 Fell Off 64,278 Cars

Loading of revenue freight for the week ended Oct. 6, 1945, totaled 767,985 cars, the Association of American Railroads announced on Oct. 11. This was a decrease below the corresponding week of 1944 of 109,050 cars, or 12.4% and a decrease below the same week in 1943 of 138,372 cars or 15.3%.

Loading of revenue freight for the week of Oct. 6 decreased 64,278 cars, or 7.7% below the preceding week.

Miscellaneous freight loading totaled 346,641 cars a drecrease of 15,010 cars below the preceding week, and a decrease of 53,888 cars below the corresponding week in 1944.

Loading of merchandise less than carload lot freight totaled 110,758 cars, an increase of 248 cars above the preceding week and an increase of 2,310 cars above the corresponding week in 1944.

Coal loading amounted to 124,532 cars a decrease of 40,875 cars below the preceding week, and a decrease of 46,995 cars below the corresponding week in 1944.

Grain and grain products loading totaled 52,025 cars a decrease of 1,887 cars below the preceding week but an increase of 6,577 cars above the corresponding week in 1944. In the Western Districts alone, grain and grain products loading for the week of Oct. 6 totaled 36,778 cars, a decrease of 1,428 cars below the preceding week but an increase of 7,033 cars above the corresponding week in 1944.

Livestock loading amounted to 24,199 cars an increase of 987 cars above the preceding week and an increase of 554 cars above the corresponding week in 1944. In the Western Districts alone loading of live stock for the week of Oct. 6 totaled 20,080 cars, an increase of 1,046 cars above the preceding week, and an increase of 1,220 cars above the corresponding week in 1944.

Forest products loading totaled 34,263 cars a decrease of 3,493 cars below the preceding week and a decrease of 8,262 cars below the corresponding week in 1944.

Ore loading amounted to 65,231 cars a decrease of 3,102 cars below the preceding week and a decrease of 5,869 cars below the corresponding week in 1944.

Coke loading amounted to 10,336 cars a decrease of 1,146 cars below the preceding week, and a decrease of 3,447 cars below the corresponding week in 1944.

All districts reported decreases compared with the corresponding weeks in 1944 and 1943.

	1945	1944	1943
4 Weeks of January	3,001,544	3,158,700	2,910,638
4 Weeks of February	3,049,697	3,154,116	3,055,725
5 Weeks of March	4,018,627	3,916,037	3,845,547
4 Weeks of April	3,374,438	3,275,846	3,152,879
4 Weeks of May	3,452,977	3,441,616	3,363,195
5 weeks of June	4,364,662	4,338,886	4,003,393
4 Weeks of July	3,378,266	3,459,830	3,455,328
4 Weeks of August	3,240,175	3,576,269	3,554,694
5 Weeks of September	4,116,728	4,424,765	4,456,466
Week of October 6	767,985	877,035	906,357
Total	32,765,099	33,623,100	32,704,222

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Oct. 6, 1945. During this period only 44 roads reported gains over the week ended Oct. 7, 1944.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS
(NUMBER OF CARS) WEEK ENDED OCT. 6

Railroads	Total Revenue Freight Loaded 1945	Total Revenue Freight Loaded 1944	Total Revenue Freight Loaded 1943	Total Loads Received from Connections 1945	Total Loads Received from Connections 1944
Eastern District—					
Ann Arbor	310	301	264	1,288	1,475
Bangor & Aroostook	1,435	1,488	1,395	352	344
Boston & Maine	7,027	6,905	6,895	12,018	14,537
Chicago, Indianapolis & Louisville	1,095	1,188	1,444	1,931	2,044
Central Indiana	26	25	54	38	39
Central Vermont	1,141	1,125	1,174	2,385	2,511
Delaware & Hudson	4,739	4,805	6,297	9,746	12,704
Delaware, Lackawanna & Western	6,867	7,997	7,705	9,205	10,648
Detroit & Mackinac	232	415	289	140	134
Detroit, Toledo & Ironton	1,153	1,860	1,929	878	1,322
Detroit & Toledo Shore Line	355	357	302	2,025	2,602
Erie	11,521	13,782	13,800	14,073	17,428
Grand Trunk Western	3,359	3,685	3,761	7,887	8,164
Lehigh & Hudson River	216	171	206	2,415	2,336
Lehigh & New England	2,147	2,099	2,139	1,512	1,686
Lehigh Valley	8,522	8,842	8,916	7,285	12,998
Maine Central	2,599	2,398	2,432	2,991	3,420
Monongahela	1,233	5,404	6,218	256	335
Montour	688	2,701	2,323	24	20
New York Central Lines	43,039	51,326	54,580	42,032	55,973
N. Y., N. H. & Hartford	9,919	9,488	9,904	14,300	17,982
New York, Ontario & Western	973	1,184	1,404	2,278	2,960
New York, Chicago & St. Louis	6,028	6,400	7,100	12,216	15,002
N. Y., Susquehanna & Western	405	504	683	1,890	2,235
Pittsburgh & Lake Erie	5,711	7,738	7,907	4,761	9,431
Pere Marquette	4,835	5,462	5,557	5,890	7,542
Pittsburgh & Shawmut	550	754	1,130	26	19
Pittsburg, Shawmut & North	171	307	409	166	241
Pittsburgh & West Virginia	932	1,108	1,165	1,954	2,748
Rutland	433	389	385	1,121	1,241
Wabash	5,502	5,282	6,851	9,813	13,052
Wheeling & Lake Erie	3,429	5,410	5,516	3,609	4,414
Total	136,592	160,900	170,134	176,505	227,587
Allegheny District—					
Akron, Canton & Youngstown	567	729	830	981	1,440
Baltimore & Ohio	36,492	46,587	44,859	22,561	28,800
Bessemer & Lake Erie	4,077	5,672	6,081	1,791	1,848
Buffalo Creek & Gauley	†	†	305	†	†
Cambria & Indiana	744	1,647	1,758	10	4
Central R. R. of New Jersey	6,210	6,646	7,102	15,705	20,564
Cornwall	517	534	674	56	60
Cumberland & Pennsylvania	219	202	229	4	13
Ligonier Valley	62	101	143	10	47
Long Island	2,066	1,891	1,543	4,164	4,623
Penn-Reading Seashore Lines	1,762	1,992	1,988	1,889	2,304
Pennsylvania System	72,111	86,364	86,146	54,665	65,537
Reading Co.	14,162	15,128	15,324	24,138	29,584
Union (Pittsburgh)	16,254	19,269	21,223	4,842	6,396
Western Maryland	3,234	4,030	4,065	11,625	12,840
Total	158,477	190,792	192,270	142,441	174,060
Pocahontas District—					
Chesapeake & Ohio	17,581	29,084	28,656	12,505	13,886
Norfolk & Western	16,086	21,708	22,369	6,840	8,048
Virginian	3,083	4,406	4,525	2,176	2,303
Total	36,750	55,198	55,550	21,521	24,237
Southern District—					
Alabama, Tennessee & Northern	416	340	329	174	348
Atl. & W. P.—W. R. R. of Ala.	801	863	717	2,084	2,710
Atlanta, Birmingham & Coast	842	817	707	1,101	1,339
Atlantic Coast Line	10,803	11,593	10,897	7,976	10,519
Central of Georgia	3,951	3,799	3,866	4,566	4,183
Charleston & Western Carolina	424	459	431	1,343	1,598
Clinchfield	1,527	1,685	1,676	2,364	3,147
Columbus & Greenville	391	291	353	268	298
Durham & Southern	151	166	144	660	774
Florida East Coast	843	865	1,075	1,141	1,344
Gainesville Midland	65	51	49	125	116
Georgia	1,387	1,249	1,188	2,103	2,371
Georgia & Florida	432	384	402	572	734
Gulf, Mobile & Ohio	4,603	4,510	4,329	4,397	4,133
Illinois Central System	24,264	28,353	30,359	13,460	18,283
Louisville & Nashville	20,421	25,522	25,873	10,037	11,825
Macon, Dublin & Savannah	228	174	180	822	896
Mississippi Central	281	372	239	618	665
Nashville, Chattanooga & St. L.	3,444	3,234	3,714	3,849	4,510
Norfolk Southern	1,181	1,144	1,161	1,631	1,786
Piedmont Northern	448	400	382	1,355	1,558
Richmond, Fred. & Potomac	469	337	425	7,987	9,468
Seaboard Air Line	9,591	9,236	9,911	8,111	9,222
Southern System	24,692	24,423	23,508	22,281	25,298
Tennessee Central	582	492	553	808	845
Winston-Salem Southbound	132	160	154	1,166	1,178
Total	112,369	120,919	122,622	100,999	119,148
Northwestern District—					
Chicago & North Western	19,791	20,282	23,340	15,652	15,210
Chicago Great Western	2,605	2,479	3,168	3,435	3,655
Chicago, Milw., St. P. & Pac.	21,679	22,615	23,816	10,637	11,186
Chicago, St. Paul, Minn. & Omaha	3,811	3,507	4,317	4,640	4,402
Duluth, Missabe & Iron Range	25,067	26,111	28,166	551	221
Duluth, South Shore & Atlantic	857	743	1,095	537	518
Elgin, Joilet & Eastern	7,358	9,063	8,633	8,181	10,089
Ft. Dodge, Des Moines & South	461	434	498	121	61
Great Northern	24,434	24,221	28,720	6,453	6,623
Green Bay & Western	*509	600	660	*843	1,033
Lake Superior & Ishpeming	2,146	1,673	1,750	46	84
Minneapolis & St. Louis	2,321	1,860	2,633	2,726	3,164
Minn., St. Paul & S. S. M.	8,366	7,332	8,078	3,135	2,999
Northern Pacific	13,549	13,921	14,550	5,038	6,536
Spokane International	153	226	123	299	489
Spokane, Portland & Seattle	2,030	2,347	2,646	2,366	3,488
Total	135,137	137,414	152,193	64,660	69,758
Central Western District—					
Atch., Top. & Santa Fe System	24,564	24,937	23,635	11,566	17,404
Alton	3,258	3,275	3,260	3,409	4,696
Bingham & Garfield	232	441	487	72	67
Chicago, Burlington & Quincy	20,116	20,267	21,897	11,572	14,467
Chicago & Illinois Midland	3,152	2,892	3,066	816	955
Chicago, Rock Island & Pacific	12,162	12,779	12,709	11,910	13,933
Chicago & Eastern Illinois	2,729	2,871	2,702	3,116	5,090
Colorado & Southern	896	889	1,240	2,116	3,101
Denver & Rio Grande Western	4,372	5,225	4,801	5,638	7,929
Denver & Salt Lake	831	948	551	65	33
Fort Worth & Denver City	802	896	1,497	1,668	2,219
Illinois Terminal	1,956	2,196	2,096	1,829	2,353
Missouri-Illinois	1,198	1,258	1,189	481	667
Nevada Northern	1,399	1,605	2,013	113	89
North Western Pacific	1,196	1,392	1,152	710	854
Peoria & Pekin Union	1	17	10	0	0
Southern Pacific (Pacific)	30,802	33,767	32,631	13,096	14,720
Toledo, Peoria & Western	0	257	329	0	2,194
Union Pacific System	19,316	20,984	20,457	17,134	20,042
Utah	760	421	609	35	6
Western Pacific	2,058	2,447	2,239	4,471	5,256
Total	131,800	139,764	138,570	89,817	116,075
Southwestern District—					
Burlington-Rock Island	347	726	350	427	424
Gulf Coast Lines	3,017	5,079	5,642	2,192	2,490
International-Great Northern	2,414	2,520	2,486	2,944	3,751
Kansas, Oklahoma & Gulf	‡	‡	261	‡	‡
Kansas City Southern	2,315	4,736	5,734	2,743	2,994
Louisiana & Arkansas	2,505	3,766	3,108	2,240	2,481
Litchfield & Madison	362	300	326	1,183	1,275
Midland Valley	1,112	1,073	699	1,710	1,637
Missouri & Arkansas	180	149	170	319	375
Missouri-Kansas-Texas Lines	5,054	6,270	6,286	3,782	5,348
Missouri Pacific	16,391	17,778	18,323	15,520	19,902
Quanah Acme & Pacific	103	62	72	314	294
St. Louis-San Francisco	9,320	9,831	9,660	7,349	8,984
St. Louis-Southwestern	2,534	3,349	3,166	4,534	6,266
Texas & New Orleans	7,235	10,893	13,625	5,466	5,664
Texas & Pacific	3,878	5,396	4,990	6,022	7,581
Wichita Falls & Southern	*63	84	99	51	58
Weatherford M. W. & N. W.	30	36	21	27	27
Total	56,860	72,048	75,018	56,823	69,551

*Previous week's figure. †Not reporting. ‡Included in Midland Valley Ry.

Note—Previous year's figures revised.

Weekly Statistics of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period 1945—Week Ended	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity Current	Percent of Activity Cumulative
July 7	180,155	99,960	575,918	62	94
July 14	151,085	145,797	575,134	90	94
July 21	121,864	156,619	537,639	96	94
July 28	127,772	156,519	507,758	95	94
Aug. 4	223,467	153,694	577,024	94	94
Aug. 11	157,653	153,368	582,785	94	94
Aug. 18	82,362	109,034	532,186	67	93
Aug. 25	131,952	161,763	488,289	99	94
Sept. 1	173,322	159,653	494,699	97	94
Sept. 8	160,857	125,683	527,938	80	93
Sept. 15	150,029	160,303	515,295	96	93
Sept. 22	128,061	151,365	489,702	93	93
Sept. 29	162,065	155,428	492,880	96	93
Oct. 6	193,674	154,147	533,087	95	93

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

Carl Barker Heads Tax Institute Group

Because of the importance of tax and fiscal policies in the years just ahead a group of business and professional men have formed a committee to bring the information services of the Tax Institute to the attention of the general public. The Tax Institute is an independent, nonpartisan organization, sponsoring no tax program and representing no interest group, but existing to interest and inform the citizen concerning his public finances. "Tax facts have never been so badly needed as now when proposals for remaking the tax system emanate from all directions," declares Carl Barker, Chairman of the recently formed Membership and Finance Committee of the Tax Institute, and a department manager of Shell Oil Co., Inc. "The potentialities for civic and business service of an organization like the Tax Institute are unlimited. The surface of the potential field for its activity has hardly been scratched. The Institute is distinctive in that it concentrates on providing information which molds thinking but does not itself offer reform programs."

Also on the committee are Beardsley Ruml, E. M. Elkin, C. A. Dykstra, H. M. Robertson, Thomas N. Tarleau, J. K. Lasser, Joseph M. Cunningham, Philip Nichols, Joseph H. Crown, C. H. Eklund, R. C. Beckett, Maxwell E. McDowell, John G. Byler, A. H. Stone, F. N. Highams, Leland Powers, Alvin A. Burger, Sidney W. Dodge, M. E. Krantz, and Jas. W. Martin. Mark Eisner of the law firm Olvany, Eisner & Donnelley, is President of the Tax Institute.

A feature of the Institute's service is the compilation of a quarterly classified index of public finance materials. Some three to four thousand items are indexed yearly. The Institute issues numerous other publications including symposium volumes, forum pamphlets, popular releases, and its monthly bulletin, Tax Policy. The Institute is a national tax organization with members in all sections of the country. It also has numerous foreign subscribers.

Lumber Movement—Week Ended Oct. 6, 1945

According to the National Lumber Manufacturers Association, lumber shipments of 454 mills reporting to the National Lumber Trade Barometer were 3.2% above production for the week of Oct. 6, 1945. In the same week new orders of these mills were 9.7% more than production. Unfilled order files of the reporting mills amounted to 83% of stocks. For reporting softwood mills, unfilled orders are equivalent to 28 days' production at the current rate, and gross stocks are equivalent to 33 days' production.

For the year to date, shipments of reporting identical mills exceeded production by 4.4%; orders by 7.0%.

Compared to the average corresponding week of 1935-1939, production of reporting mills was 45.1% less; shipments were 42.0% less; orders were 38.7% less.

Mexico Pays on Oil Debt

Rafael de la Colina, charge d'affaires, presented to Acting Secretary of State Dean Acheson on Oct. 2 a check for $4,085,327.45 in part payment for American oil properties expropriated in 1938 by Mexico, according to Associated Press advices from Washington published in the New York "Herald Tribune," which further said:

"The State Department said $8,170,654.90 remains to be paid within the next two years to liquidate the original debt of $29,137,700.84."

Items About Banks, Trust Companies

Eric F. Lamb, formerly of the Foreign Economic Administration, has become special correspondent in Brazil for J. Henry Schroder Banking Corporation and Schroder Trust Company with headquarters at Avenida Aparicio Borges 207, Rio de Janeiro. Mr. Lamb was previously connected with the Federal Reserve Bank of New York and with the First National Bank of Boston in Buenos Aires.

The First National Bank of New York announced Oct. 9 through its President, Alexander C. Nagle that at a meeting of the Board of Directors held that day Grant Keehn, Lt. Col., F. D., A. U. S., and Robert G. Fuller, Assistant Vice-President of the bank, were elected Vice-Presidents. Mr. Fuller also continues to serve as Acting Cashier. Lt. Col. Keehn is expected to assume his duties Nov. 1.

George B. McGowan, formerly Assistant Vice-President of The Corn Exchange Bank Trust Co. of New York has been elected a Vice-President.

The calling of a special meeting of stockholders of the Federation Bank and Trust Co. of New York to be held on Oct. 30, for the purpose of acting upon a proposal to increase the capital of the bank from $1,000,000, to $1,500,000 was announced on Oct. 9 by Thomas J. Shanahan, President of the bank. The proposal calls for an increase in the number of its shares from 100,000 to 150,000 to make available 50,000 shares which will be necessary to carry out the present plan of the directors to declare a stock dividend of 25,000 shares and to authorize the sale at $20 per share of 25,000 shares of such additional stock to stockholders of record.

J. Luther Cleveland, President of Guaranty Trust Co. of New York, announced on Oct. 13 the appointment of Joseph A. Bucher as a Second Vice-President of the Company, and the return from military service of Col. R. T. Tupper Barrett with appointment to his former title of Second Vice-President. Mr. Bucher has for many years been an assistant secretary at the Company's Fifth Avenue Office, with which branch he has been identified since 1911. Col. Barrett has been on military leave of absence for the last three years, serving in the European theater with the Army's General Staff Corps. He has been awarded the Bronze Star Medal and the French Croix de Guerre with Gold Star. The former decoration was received when, as chief of the financial branch, G-5 section, with supervision over military government financial matters and property control, he personally supervised the packing, shipment and redeposit of recovered enemy gold bullion valued at several hundred million dollars. Prior to the war Col. Barrett was a Joint Manager of the Guaranty Trust Company's offices in France.

Lieutenant Colonel Dean J. Wells has returned to his former duties as Vice-President of The Commercial National Bank and Trust Co. of New York after three years of service in the Finance Department, Army of the United States.

Irving Trust Co. of New York announced on Oct. 11 the promotion of William T. Pagen from Assistant Secretary to Assistant Vice-President. Mr. Pagen has been in the Irving's Corporate Trust Division since he joined that institution in 1933. His banking career began in San Francisco. At the outbreak of World War I he left his position there with the Security Savings Bank to enlist in the Army Engineers with which he served overseas and was decorated with the Silver Star and Croix de Guerre. After demobilization he was made Trust Officer of the American National Bank, later the American Trust Co. and in 1927 came to New York on its behalf to assist in the organization of an affiliate—the Pacific Trust Co.—which later united with the Manufacturers Trust Co.

Thomas J. Shanahan, President of the Federation Bank and Trust Co., announced on Oct. 9 the election to its Board of Directors of Mr. Vincent P. Di Napoli, Treasurer of Tully & Di Napoli, Inc. of Long Island City.

E. Chester Gersten, President of the Public National Bank and Trust Co. of New York, announced with respect to the Foreign Department which is headed by Vice-President H. A. Hayward, that John Kuback was advanced from Assistant Manager to Manager.

At a meeting of the board of trustees of the Broadway Savings Bank of New York held on Oct. 10 Edward Everett Watts, who has served as President since 1935, was elected Chairman of the Board and Thomas R. Cox, Executive Vice-President, was elected President. Mr. Watts has been a trustee of the Broadway Savings Bank since 1915. For many years he was President of the old Fifth National Bank of this city. Subsequently for about four years he was Vice-President of the Garfield National Bank and then for six years Vice-President of the Chase National Bank. Mr. Cox has been a trustee of the Broadway Savings Bank since 1933. During the war he served as a Major in the United States Army. Before that he was a partner in the firm of Brinton & Co. and a member of the New York Stock Exchange. The Broadway Savings Bank, located at 5 Park Place, is over 94 years old, having been founded in 1851. Besides Mr. Watts and Mr. Cox its board of trustees includes Charles A. Frank, Richard Kelly, Louis F. Ferris, Joseph F. Calvert, Alfred B. Rode, Henry L. Finch, Harold L. Walton, George G. Milne, Paul S. Ranck, Edward E. Watts, Jr., Clarence H. Gifford, Ralph E. Morton and William G. Rossiter.

Lafayette National Bank of Brooklyn in New York announces that it has increased its capitalization from $750,000 to $850,000 through the sale of $100,000 additional stock. The sale was over 98% absorbed by present stockholders.

Charles P. Eschmann, Borough Attorney, has been elected a director of the Nassau Savings and Loan Association of Brooklyn, N. Y.. His father, the late Joseph Eschmann, for many years was also a director of the association.

Mr. Eschmann is a member of the law firm of Connolly, Frey and Eschmann and well known in real estate and financial circles said the Brooklyn "Eagle" of Oct. 2 which stated that among his organizations are the Brooklyn and New York State Bar Associations, Brooklyn Real Estate Board, and various others.

Lewis G. Harriman, President of the Manufacturers & Traders Trust Co. of Buffalo, N. Y. announced on Oct. 9 the appointment of Robert J. Littlefield as Acting Assistant Manager for all of the branches of the bank, of William W. Downing as Assistant Manager of the Riverside Branch and of Fred C. Wertz as Assistant Manager of the Fillmore-Utica Branch according to the Buffalo "Evening News." Mr. Littlefield and Mr. Wertz have both been associated with the bank since 1931 while Mr. Downing has been with the institution since 1923.

Thomas P. Beal, President of the Second National Bank of Boston, Mass. has announced that the additional 20,000 shares of the bank's stock, which were recently offered to shareholders, have been fully subscribed.

The Boston "Herald" in reporting this on Oct. 9 further said:

With an increase in the par value of the stock from $25 to $40 per share now bing made, and the completion of this financing, the capital funds of the bank consist of $4,000,000 capital, $6,000,000 surplus, and undivided profits and unallocated reserves of approximately $1,750,000. This is the first time in over 40 years that the capital has been increased, although substantial additions to surplus have been made from earnings.

The Second National Bank of Boston is one of Boston's oldest financial institutions, having been chartered as the Granite Bank in 1832. It received its national bank charter in 1864 shortly after the passage of the National Bank Act.

Stephen W. Carey III, Executive Vice-President of the Providence Washington Insurance Co., was elected to the directorship of the Providence National Bank of Providence, R. I. at a meeting of the directors, it was made known in the Providence "Journal" of Oct. 9, which states that he fills a vacancy on the board caused by the death of John B. Lewis.

Elmer King, noted banker and lawyer of Northern New Jersey died on Oct. 9 at the age of 74. Mr. King was President of the Board of Directors of the First National Iron Bank of Morristown, N. J.; a director of the Dover Trust Co., Dover, N. J.; President of the Citizens National Bank of Netcong, N. J. and director of the same institution since 1904.

William K. Paton, President of the Farmers Bank of the State of Delaware, at Wilmington, announces the appointment of Pierre S. duPont III by Governor Walter C. Bacon of Delaware to the Board of Directors of the Farmers Bank of the State of Delaware. Mr. duPont, a resident of Wilmington, Del. graduated from Tower Hill School, attended Phillip Exeter, graduate of Massachusetts Institute of Technology with a degree of Bachelor of Science in Chemical Engineering. He entered the employ of the du Pont Company in 1934 as a Chemical engineer and later as a technical investigator. Until recently he served as sales representative of the Nylon Division and in charge of product development. How he is Assistant Director of the Trade Analysis Division of duPont Company. Mr. duPont is a son of Lamont duPont, Chairman of the Board of E. I. duPont de Nemours & Co.

Bryson Strauss has retired as a Vice-President of the First National Bank in Gibson City, Ill. Mr. Strauss will remain as a member of the board of directors.

On Nov. 1, H. H. Reinhard, Vice-President of Mercantile-Commerce Bank and Trust Co., St. Louis, will celebrate his fiftieth year with Mercantile-Commerce and its predecessor, the National Bank of Commerce. Mr. Reinhard started his banking career as an office boy with the National Bank of Commerce, and from that date until 1917 had experience in various departments of the bank. During the latter part of that period he was Assistant Manager of the Collection Department. In 1917, when the bank opened a Savings Department, Mr. Reinhard was made Manager, and was responsible for its organization and development. Five years later he became Assistant Cashier and in 1924 was made Vice-President. He retained this title throughout the merger of the National Bank of Commerce with the Mercantile-Commerce Bank and Trust Company in 1929, and is still in charge of the present Savings Department. Mr. Reinhard has been active in the American Institute of Banking and has served as an instructor and as a member of the Board of Governors of the organization. He was one of the organizers and has served as President of the Savings Association of St. Louis Banks. Active in the affairs of the American Bankers Association, Mr. Reinhard helped to develop the regional savings conference and in 1925 was elected to a three-year term as a member of the Executive Committee of the Savings Division of the ABA. At present he is a member of the Committee on Savings Development. He is also serving on the Membership Committee of the Better Business Bureau of St. Louis.

Commemoration of more than half a century service to the livestock and meat industry of Kansas City and the Southwest, is signalized by the Inter-State National Bank of Kansas City Mo. in an elaborate historical and pictorial review of its history its is learned from the "Kansas City Star" which states that the bank now is in its fifty-fifth year and adds.

The bank's name has a literal meaning, since the institution originally was located just a few rods west of the State line in Kansas. In 1911 it moved to the present Live Stock Exchange building, which is in Missouri. The State line still runs through the stockyards and ran through the Exchange building formerly occupied by the bank.

The story of the bank runs through the big flood of 1903, the big fire of 1917, drought and depressions, making an interesting record of Kansas City's trials and progress.

In a foreword to the booklet, entitled, "The Widening Trail Through Fifty-five Years With the Inter-State National Bank of Kansas City," David T. Beals, President, says:

"The effort here is to present mainly the principal occurrences and developments in the progress of the Inter-State National bank that a brief but comprehensive record may be preserved; together with a complete 'roll call' of the personalities who, as past or present officers and directors, have had parts in making the history that is recorded here. For history is made by men, not by institutions."

We are advised under date of Oct. 10 that the San Antonio National Bank, the oldest incorporated bank in Southwest Texas, and the first national bank organized in San Antonio, has, with the approval of the Comptroller of the Currency, changed the name from "The San Antonio National Bank" to "First National Bank of San Antonio," effective June 12, 1945. It is further announced:

All outstanding preferred stock has been retired; the common stock has been increased to $500,000.00; the surplus increased to $100,000.00; and there remains over $100,000.00 undivided profits, making a total capital structure of over $700,000.00.

J. K. Beretta, outstanding banker, has acquired a substantial holding in the bank; and his wife, Mrs. J. K. Beretta, has been elected a member of the Board of Directors.

There has been no change in the officers who are authorized to sign for this bank. Checks drawn on "The San Antonio National Bank" will be given the same attention as those drawn on "First National Bank of San Antonio."

The Midland Bank Ltd. of London announces that T. R. Nicholson, Joint General Manager, has retired after 51 years of valuable service to the Bank. H. Wheeler, hitherto an Assistant General Manager, has been appointed a Joint General Manager.

Anthony Eden and Lord Leathers have been appointed Directors of Westminister Bank Ltd. of London.

James Greenhill, a Joint General Manager since 1933, and Manager of Lothbury Office since 1929 has retired on pension after nearly 47 years' service. The Directors have appointed Herbert Cremer and James Stewart, formerly Assistant General Managers, to be Joint General Managers. At Lothbury Office Oliver Read succeeds to the Management and W. L. Cooper has been appointed Deputy Manager.

Information has been received from the representative of the Chartered Bank of India, Australia & China in Singapore that branches of the following banks opened for new business on Oct. 1:

The Chartered Bank of India, Australia and China; The Hongkong & Shanghai Banking Corp.; The Mercantile Bank of India Ltd; The Eastern Bank Ltd. The National City Bank of New York.

Colonel Sir A. Henry McMahon, who joined the Board of the Imperial Bank of Iran in 1917 and has been Chairman since December 1937, has retired from the Chairmanship but retains his seat on the Board. The Board have elected Lord Kennet of the Dene as Chairman.

A.P. Denied Rehearing By Supreme Court

The petition of the Associated Press for a rehearing of the ruling that the A. P. must amend its bylaws on admission of new members was denied by the United States Supreme Court on Oct. 8. The Court had previously held that the bylaws were in violation of the Sherman Anti-Trust Act. Regarding the Supreme Court's decision on Oct. 8 Associated Press advices from Washington Oct. 8 said:

The Associated Press decision becomes final 20 days from now unless a motion to petition a second time for rehearing is made and granted by the court.

The news-gathering co-operative lost a civil action filed by the Government in 1942 under the anti-trust act. The Supreme Court, in a five-to-three decision last June, upheld in full a two-to-one District Court decision. It calls for amendment of Associated Press rules to prevent members from considering the competitive effect of an application for membership.

Robert McLean, President of The Associated Press, issued the following statement from New York:

The Associated Press has been advised by counsel that, with the denial of the petition for rehearing, all efforts in the courts in the Government's anti-trust action have been exhausted.

Prompt action will be taken to comply with the decision so that the Court injunction may be lifted, since it is inconceivable that the world's greatest news service shall operate permanently under restraint which threatens Government supervision of the channels of news.

Although limitations have been placed on its right to control its own affairs, the Associated Press will continue to supply all the news—unbiased and untrammeled—with the fidelity that has characterized its course since its foundation.

Its staff throughout the world is dedicated to this purpose. Its operations are expanding as the tide of war recedes. It will continue to merit the charges leveled against it by the Government that its service is of outstanding quality and that its form of organization is assurance that the news gathered and distributed by the Associated Press shall be as nearly impartial, objective and complete as human endeavor can make it.